

Developments in Marketing Science:
Proceedings of the Academy of Marketing Science

John B. Ford
Earl D. Honeycutt, Jr. *Editors*

Proceedings of the 1998 Academy of Marketing Science (AMS) Annual Conference



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M. Wayne DeLozier Award for the Best Conference Paper (Co-winners)

An Empirical Investigation of the Influence of Non-Price Variables on Quality Tier Competition

K. Sivakumar, University of Illinois-Chicago

Cheryl Nakata, University of Illinois-Chicago

Marketing Planning and Market Orientation: An Empirical Study of Australian Organizations

Sue Pulendren, Melbourne Business School

Richard Speed, Melbourne Business School

Robert E. Widing, Jr., Melbourne Business School

Stanley C. Hollander Best Retailing Paper Award

Conceptualizing Store Choice Processes Using Perceived Risk

Vince-Wayne Mitchell, Manchester School of Management

AMS Doctoral Dissertation Competition

Mary Kay Award: Winner

Organizing for Radical Product Innovation

Rajesh Chandy, University of Houston

Mary Kay Award: Honorable Mention

Towards a Positive Theory of Rational Choice: From Substantive to Procedural Rationality

Ashish Sinha, University of Waikato

AMS Award: Winner

Relationship Marketing and Membership Commitment Among Professional Association Members

Thomas W. Gruen, Emory University

AMS Award: Honorable Mention

Two Essays in Direct Marketing. (Major Essay: Direct Marketer Vs. Retailer: A Strategic Analysis of Competition and Marketing Structure. Minor Essay: Customer Equity and Relationship Management for a Catalog Marketing Firm.)

Sridhar Balasubramanian, University of Texas at Austin

Jane K. Fenyo Student Paper Competition

Jane K. Fenyo Award Winner

An Application of the Dominant Product-Dominant Country Framework of Export segmentation to the Case of Turkey

Mahesh Shankarmahesh, Old Dominion University

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Acknowledgments

The officers and Fellows of the Academy of Marketing Science express appreciation to the sponsoring university which provided support for the 1998 Annual Conference and for these Proceedings.

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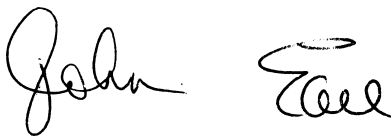
Foreword

This 21st volume of *Developments in Marketing Science* contains articles and abstracts of presentations made at the 1998 Annual Conference of the Academy of Marketing Science, held May 27 - May 30, 1998, at the Waterside Omni, Norfolk, Virginia. As this year's Program Co-Chairs, Rajan Varadarajan and Peter Dacin, reported in the Conference Program, there were 32 competitive paper sessions, 26 special sessions, and 4 topic table (poster) sessions. To demonstrate the growing internationalization of the Academy of Marketing Science, there were 23 different countries represented at this conference, and of the 112 competitive papers that were accepted for the conference, 44 were written by authors with affiliations outside of the United States.

In order to publish this proceedings, we must thank all of the authors of the papers who submitted either their full manuscripts or abstracts. We would especially like to recognize the authors for their efforts to revise their papers according to the reviewer comments and in accordance with our guidelines for publication. With so many countries represented, there were surprisingly few problems with paper formats, and where there were difficulties noted, the authors worked quickly to correct the problems. We would certainly be remiss not to mention the fine work of the Track Chairs and Reviewers who judged the competitive papers. These individuals are all specifically recognized within this publication.

We would also like to thank Ms. Courtney Middleton for her hard work in putting this publication together. She worked very hard to prepare the format of the final proceedings, and her prior experience in this regard made her a valuable contributor. We would also like to thank the College of Business and Public Administration at Old Dominion University, and, in particular, Dean J. Taylor Sims and Associate Dean Ali Ardalan for their support in this project.

Finally, we would like to thank Dr. Harold Berkman and Ms. Sally Sultan at the University of Miami for their efforts along with the officers and governing board of the Academy of Marketing Science for making this conference possible. This truly is a team effort. We hope that you all enjoy the conference and our home city, Norfolk, Virginia.



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Preface

The Academy of Marketing Science was founded in 1971, held its first Annual Conference in 1977, and has grown and prospered ever since. The relevancy of the Academy's mission and activities to our chosen target market of the marketing professorate has been a key factor in attracting the discipline's best and brightest from all over the world.

The revised Articles of Association of the Academy, approved the Board of Governors in the spring of 1984, and by the general membership in the fall of that year, define the mission of the Academy as follows:

1. Provide leadership in exploring the normative boundaries of marketing, while simultaneously seeking new ways of bringing theory and practice into practicable conjunction.
2. Further the science of marketing throughout the world by promoting the conduct of research and the dissemination of research results.
3. Provide a forum for the study and improvement of marketing as an economic, ethical, and social and political force and process.
4. Furnish, as appropriate and available, material and other resources for the solution of marketing problems which confront particular firms and industries, on the one hand, and society at large on the other.
5. Provide publishing media and facilities for Fellows of the Academy and reviewer assistance on the Fellows' scholarly activities.
6. Sponsor one or more annual conferences to enable the Fellows of the Academy to present research results; to learn by listening to other presentations and through interaction with other Fellows and guests; to avail themselves of the placement process; to conduct discussion with book editors; and to exchange other relevant information.
7. Assist Fellows in the better utilization of their professional marketing talents through redirection, reassignment, and relocation.
8. Provide educator Fellows with insights and such resources as may be available to aid them in the development of improved teaching methods, materials, devices, and directions.
9. Seek means for establishing student scholarships and professional university chairs in the field of marketing.
10. Offer Fellow of the Academy status to business and institutional executives and organizations.
11. Modify the Academy's purpose and direction as the influence of time and appropriate constructive forces may dictate.

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EFFECTS OF MUSIC INDUCED AROUSAL ON COGNITIVE RESPONSES AND STORE IMAGE

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ABSTRACT

How consumers' mood, perceived waiting time and store atmosphere are affected by background music is analyzed in two shopping situations : first when they wait for the salesclerk who is expected to provide them with a service in a store (pre-service situation) and, second, once the service is performed and they wait at the cash register (post-service situation). Hypotheses derived from Zakay's *Resource Allocation Model* -RAM- (1989, 1994) and related models, lead to test whether consumers exposed to three levels of music tempo show significantly different patterns of relations between mood, perceived store atmosphere and waiting time. The two service situations are simulated through the use of videos. Subjects (N=249) are exposed to three (pre-tested) equally pleasant music pieces the tempo of which is either low or moderate or high; the arousing effects of tempo are also pre-tested. Results from linear equations systems show two very significantly different effects of music induced arousal on store and time related thoughts and on store image. The results are interpreted in light of *RAM* and the service literature.

EFFECTS OF BACKGROUND MUSIC IN A STORE ENVIRONMENT

The commercial effects of the store physical environment are extremely important: two of every three purchase decisions are made while the consumer was *within* the store, that is when exposed to the store environmental cues, such as background music (Wollenberg, 1988). Since the works and models by Kotler (1973), Baker (1986) and Bitner (1992), a number of studies have shown the impact of the physical characteristics of the store on consumers' mood and cognitive responses. The physical environment of the store is an efficient way of communicating the very mission and image of the store (Kotler, 1973 ; Bitner, 1992; Baker, Grewal and Parasuraman, 1994). It may even have an impact on consumers' satisfaction (Bitner, Booms and Tetreault, 1990).

However the effects of the various phases of the buying process in which the consumers find themselves sequentially has been neglected so far, with two notable exceptions: first the study by Dube-Rioux et al. (1989), which focused on the perceived waiting time at different phases of the service process in a restaurant and second, the study by Bellizzi, Crowley and Hasty, (1983). The latter study showed that before the purchase decision is made, the degree of deliberation involved in a specific phase may be hindered by the same store environmental factors (colors in this study) which favored his/her being attracted to the store. It has been shown that customers are attracted toward a warm color environment (yellow and red) when outside the store; however, once over-stimulated by a red environment (both physiologically and psychologically), their purchasing deliberations and buying decisions are impaired (Bellizzi, Crowley and Hasty, 1983). On the contrary, cold colors (such as blue or green) bring consumers greater psychological comfort, which in turn induces consumers to take more time to shop (Bellizzi and Hite, 1992).¹ Consequently, it is reasoned that a high level of arousal may not necessarily be adequate at both ends of the shopping process, that is when customers are attracted into the store and when they are elaborating their decision.

The present study focuses on a similar question: might arousing music be adequate at both ends of the buying process? Could it be that the same pleasant arousing music impacts positively on customers *before* they purchase goods and *negatively* after the shopping is completed. The following literature review helps in formulating hypotheses to be tested in an experimental study.

¹ The authors gratefully acknowledge the grant they received from FCAR for this study.

EFFECTS OF MUSIC TEMPO WITHIN A STORE ENVIRONMENT

Our study focuses on the effects of music tempo only, that is it does not consider the effects of other musical dimensions. As pointed out by Holbrook and Anand (1990) “music entails a wide range of elements..., ultimately taken into account. Nevertheless, some progress can be made by manipulation of one musical element at a time, holding the rest constant “ (p.151). Tempo has been identified by several researchers as the most important musical factor (e.g. Brown, 1985; Budd, 1985; Hevner, 1935).

Music proves to be a central strategic lever in store atmospherics precisely because of the low costs involved in choosing the right music and because of its proven effects on consumers. Music may have either *direct* or *indirect* effects on consumers’ perception and attitudes (in addition to having behavioral impacts, as shown for instance by Milliman (1982, 1986). As reviewed below, music may directly affect consumers’ mood and store image. It may affect indirectly also perceived waiting time. These direct-vs.-indirect effects will be reviewed in the next section.

Direct effects of background music tempo on arousal

The emotional effects of music have been documented since the early studies in the field of music psychology. “Sadness is best expressed by...a slow tempo” and “sheer happiness...demands a faster tempo” (Hevner, 1937:627). Sedative (or soothing) music has been shown to decrease muscle tonus (Sears,1957) and reduce anxiety (Jacobson, 1956), whereas stimulative music (characterized among other things by a higher tempo) increases worry and emotionality (Smith and Morris, 1976).

The precise relationship between music tempo and its affective effects have been thoroughly analyzed by Holbrook and Anand who showed that tempo *logarithm* influences *quadratically* the affect. Holbrook and Gardner (1993) found that the more pleasurable a musical stimulus was, the greater the level of arousal that produced the longer consumption duration (listening time).

Some recent studies show the intricate inter-relation between the effects of tempo: it impacts on both pleasure and arousal (Kellaris, 1992, Kellaris & Kent, 1991, 1995; Kellaris and Rice, 1993). Consequently, in the present study, the effects of tempo on pleasure are canceled through a careful choice of musical pieces the pleasure levels of which have been previously tested as being similar (see below the results of the pilot study by Dube, Chebat and Morin, 1995) in order to isolate the sole effects of tempo on arousal.

Indirect effects of background music tempo on some cognitive processes

Music induced arousal may impact on (at least) two types of variables: attention to the store cues and assessment of waiting time. In the next section, the findings of some studies on the effects of music are reviewed in light of a central model, the *Resource Allocation Model* developed by Zakay (1989, 1994).

Effects of music induced arousal on attention to external cues

Based on the Mehrabian Russell paradigm, Bitner’s *Servicescapes* (1992) predicts that a combination of consumers’ high pleasure and arousal enhances their desire to *approach* a store and/or its employees. A few studies have shown that pleasant and arousing music enhanced the store image (Yalch & Spangenberg, 1990). However, no study has yet tackled the question of the *attention* to the store as triggered by the background music, except that by Chebat, Galenist-Chebat and Filiatrault (1993): musical background was detrimental to the attention to visual cues in a bank setting where consumers were waiting to be served by a teller. While waiting for service, consumers focus their attention on time, they paid little attention to the service environment or to the range of services offered by the bank.

Musical tempo has been shown by researchers outside the field of services marketing, to influence attentional processes. Slower movements of some classical works (e.g. Mozart’ symphonies Nos 40 and 41 or Haydn’s string Quartet) “causes groups to talk more about an assigned topic” (Stratton and Zalanowski, 1984:23). It is concluded from this research that “soothing’ music helps focus attention on a task and ignore distracting stimuli,” whereas “stimulating music attracts

attention on itself and thus away from the task” (p.24). Similar results are found elsewhere (Madsen,1970; Anand and Sternthal, 1990) who showed the distracting effects of music. The main problem posed by this stream of research is the confusion between the two main affective dimensions, that is pleasure and arousal, since a “soothing” music is *both* pleasant and low arousing. As already pointed out, the present study distinguishes the effects of tempo on pleasure and arousal and cancels the effects of tempo on arousal.

The confounding effects of music on both pleasure and arousal has been tackled thoroughly in a study by Dube, Chebat and Morin (1995) who clearly distinguish between the two dimensions. They showed that when exposed to pleasant music, consumers in a simulated bank environment generate significantly more thoughts under slow and fast tempi than under medium tempo; positive thoughts are more likely to occur under slow and fast tempi than under medium tempo. These results confirm that arousal and pleasure interact significantly on the production of cognitive response. Since we are solely interested in the arousing effects of music tempo, it is essential to cancel the effects of musical tempo on pleasure.

We propose that consumers rely on musical cues to assess time when other cues are less conspicuous: a study by Chebat, Gelinat-Chebat and Filiatrault (1993) shows that when asked to assess waiting time, consumers rely more on musical cues when the visual stimulation is low; conversely they rely on visual cues when the musical cues are absent. They cite several psychological studies on attentional processes (e.g. Predebon, 1988; Stelmach & Herdman, 1991) who lead them to conclude that the more attention is paid to visual cues the lower the perceived time during which subjects are exposed to visual stimuli. The findings by Chebat et al. (1993) support the hypothesis that consumers’ attention is divided between two focuses: the service environment (a simulated bank) and the passage of (waiting) time. The more they pay attention to the environment, the less they pay attention to time and conversely. These results are interpreted in terms of the *Resource Allocation Model* developed by Zakay (1989, 1994), which plays a central theoretical role in the development of our hypotheses.

The Resource Allocation Model

Zakay postulates the existence of two so called “processors”: a *time processor* (which focuses on time assessment) and a *cognitive processor* (which focuses on the environment). He proposes that a negative relation exists between the level of attention to external cues and time perception: Since the amount of attention is limited, the more attention is devoted to the environment, the less attention is devoted to time. “In a retrospective context (that is when subjects are asked to assess time duration of an event after the event ended), priority of attentional resources is given to the processor of information” and not to the time processor. Conversely, when subjects focus their attention on time they devote all the less attention to external cues. For instance Arlin (1986) found “an inverse relationship between attentional demand (to external cues) and time perception”; Chebat et al. (1993), Hanley and Morris (1982), Hawkins and Tedford (1989) and McClain (1983) reported similar results which contradicted Ornstein’s theory (1969) which predicted that a positive relationship between the amount of stored information and perceived time exists. We then conclude that the consumer processes either time cues or store cues and that the emphasis on either processors depend on the stage of the service at which consumers are.

More precisely, it is reasoned that consumers are using *either* processor in the two following two service situations:

- when they enter a store to buy goods and wait for a salesclerk to be shown the range of alternatives available
- when they have chosen the merchandise and are waiting to pay at the cash register.

In the first situation, consumers focus on the store and the merchandise available *more* than on time. They then have to decide if the store is the right one and if it is likely to hold the type of goods the consumer is searching for. Consumers are likely to take advantage of the time during which they wait for the clerk to find the right goods by themselves by browsing through the store. The “cognitive processor” is then more likely to be working than the “time processor”. Conversely, in the second situation, once the appropriate goods have been found, the interest for the store and its merchandise is probably much lower; consumers who wait at the cash register are likely to ask themselves how long they have to stay at the cash register. The “time processor” is then triggered. The greater attention to time in the second situation (at the cash register) enhances the assessment of time so that the same objective time passed at the cash register seems longer than in the first situation when consumers focus on the store environment. “The more attention is devoted to the passage of time, the more subjective units are recorded in the time and, consequently, the longer the subjective duration”

(Zakay, 1993, p.70). At the cash register if the information stored about the shopping environment is less salient and is superseded by time information, the assessment of the shop, its merchandise and its personnel is likely to be negatively impacted.

HYPOTHESES

The basic hypothesis tested here is the following: within a store environment, customers' high level of arousal stimulates their attention to and interest for the merchandise and the store (pre-purchase phase), whereas it enhances the perceived waiting time once they are waiting to pay at the cash register for the goods they picked up (post-purchase phase). In other words, music induced arousal is likely to enhance attitude to the store *before* the shopping process, whereas it may help focus on the waiting time after.

The literature review leads us to hypothesize the following:

H1: The effects of music induced arousal on store related thoughts are significantly stronger in the pre than in the post-purchase situation.

H2: The effects of music induced arousal on time related thoughts are significantly stronger in the post than in the pre-purchase situation.

H3: The effects of music induced arousal on store image are significantly stronger in the pre than in the post-purchase situation.

H4: The effects of store related thoughts on store image are significantly stronger in the pre than in the post-purchase situation.

H5: The effects of time related thoughts on store image are significantly stronger in the post than in the pre-purchase situation.

METHOD

Subjects

249 (56.3% females and 43.7% males) undergraduate business students in a Canadian university (average age of 28 years; minimum and maximum of 19 and 59 years) were recruited to participate in the study and were randomly assigned to one of the experimental conditions.

Experimental conditions

Arousal was manipulated with classical music extracts having different tempi and a high pleasure induced level. In each phase, three of the four experimental conditions had a different selected musical extract as sound background but the same video simulation. The last condition was considered as the control (no music condition).

Pre-test

The results of the pre-test are fully reported in Dube, Chebat and Morin (1995). 15 subjects similar to those in the main study (8 females and 7 males) were exposed to 54 musical extracts that they rated in terms of both arousal and pleasure using the *Affect Grid* designed by Russell, Weiss and Mendelsohn (1989). The *Affect Grid* presents a good validity and reliability and is recommended when repeated measures are necessary (e.g. Holbrook and Gardner, 1993). The extracts were classified in three equal categories of tempo (i.e. slow-vs.-moderate-vs.-fast) The mean ratings on the arousal dimension were respectively 2.6, 5.4 and 8.0 for low, moderate and high arousal levels ($F[2,37]=52.88, p<.001$). The level of familiarity did not vary across conditions (means = 2.6, 2.3, 3.7; $p>.20$). We selected three musical extracts from the

original 54: the first movement of the horn concerto #3 in E flat major (K447) by Mozart; the Brandenburg concerto #6 in F major BMV 1047 second movement by J.-S. Bach; the oboe concerto in C major K314 third movement by Mozart. These three musical extracts were rated as highly pleasurable (respectively: 6.17, 7.38 and 7.64) on a nine-point scale; they were quite different in terms of arousal (respectively: 2.58, 5.86 and 7.64).. Since familiarity with music has been shown to influence liking, three scales measured the degree of familiarity ($\alpha = .$). Subjects' familiarity with the various extracts of classical music (described below) did not significantly between experimental groups ($F=.32$; $p=.73$). A vast majority of respondents said that they did not know who the composer was (98%) and never heard before the musical piece (70). In addition the degree to which subjects regarded the musical piece as adapted to the store environment. did not vary across experimental conditions ($F=.54$; $p=.58$). Their assessment of the adaptation of the music to the store was evenly distributed (average score of 3.6 on a 7 point scale).

Procedure

Subjects were invited to participate in a study on consumer satisfaction with retail store. They were randomly assigned to eight approximately equal groups and exposed to one of the eight experimental conditions (3 Arousal X 2 services phases) between-subjects full factorial design with two control, i.e. no music conditions. Subjects were shown one of the two videos of exactly the same duration (4 minutes and 36 seconds) in which they were asked to role play a customer waiting. They were instructed to regard what they watched and heard as what they would have seen and heard if they would have been in the store. Such a method has been widely used in the field of services research (e.g. Baker, Levy and Grewal, 1992; Chebat , Filiatrault, Gelinas-Chebat and Vaninsky 1995) and validated experimentally by Bateson and Hui (1992).

In both videos, they were exposed to a waiting situation of the same duration In the *pre-process phase*, subjects waited in the retail store to be served by the salesperson. In the *post-process phase*, subjects were asked to imagine themselves waiting in line to be served by the cashier. In both situations, a service interruption occurred. In the pre-service situation, the sales clerk who was serving another customer left the store and went to the back office for a time duration undetermined. Similarly, the employee at the cash register interrupted her operations when the phone rang and spoke for an undetermined duration. In fact in both cases, the interruption lasted exactly the same time, that is one minute. During the waiting period, the camera showed the retail store environment, the consumers and the service personal and followed a pattern as natural as possible similar to what a consumer would have seen in these situations. After being exposed to the video, the subjects were administered a questionnaire and invited to mention freely their cognitive responses.

Cognitive responses

Subjects were asked to take 3 minutes to list as precisely as possible all the thoughts related to the store and the merchandise and the number of thoughts related to wait and time Two graduate students were trained to classify their cognitive responses into two categories : those related to time (waiting time in particular) and those related to the store (that is, the store itself, its merchandise and the sales clerks). These cognitive responses were double coded by two graduate linguistics students (convergence rate=85%) on the topic of the cognitive responses, especially if these responses were related to time or to the store merchandise, design, etc.

Other measures

1-*The subjects' mood* was assessed by the P.A.D.(Pleasure-Arousal-Dominance) scale developed by Mehrabian and Russell (1974) right after being exposed to the store videos. *Obilimin* factor analyses showed three factors: pleasure (first four items of PAD: 40% of the variance; Cronbach's $\alpha = .88$), arousal (next three items of PAD: 23% of the variance; Cronbach's $\alpha = .85$) and dominance (last four items of PAD: 11% of the variance; Cronbach's $\alpha = .81$). This structure reflects that found by the authors of PAD , except that the fourth item of arousal forms by itself the fourth factor the eigenvalue of which is too low to be considered (.75).

2-*The store image* was measured by twenty-one 7-point Likert type scales developed by Russell and Pratt (1980) Four factors are found: *welcoming* (that is a combination of *friendly, warm, lively, welcoming and inviting*; 25% of the variance; Cronbach's $\alpha = .87$); *interesting* (that is a combination of *interesting, boring, common*; 13% of the variance; Cronbach's $\alpha = .69$), *quiet* (that is a combination of *peaceful, serene, calm*; 10% of the variance; Cronbach's $\alpha = .68$) and *busy*

(that is a combination of *interesting, boring, common*; 7% of the variance; Cronbach's $\alpha = .66$). The first two factors were used in the analysis

3-*The ecological validity* was assessed by four 7-point Likert scales where subject had to express their degree of agreement with statements such as: this video "reflects the reality", "is similar to personal experiences", "is realistic" and "gives the impression of being personally involved". A series of ANOVA's shows that the degree of realism measured by these four scales did not vary across experimental conditions (all p 's > .37).

RESULTS

We examine the whole set of relations in a global model through a procedure of linear structural equations modeling called EQS (Bentler, 1995).

EQS Models

Two models were built using the EQS (Bentler, 1995) procedure and the maximum likelihood (ML) estimation method. The two models for the two service situations (pre-v.-post-purchase) found are equally satisfactory. The levels of goodness of fit are high (BBNFI > .94 in both cases), the chi-square are low (4.10 and 5.21) for the 5 degrees of freedom, which means a non-significant *p. value* for the chi-square (.53 and .39), that is the models reflect well the respective data of the pre-v.-post-purchase situations. [Figures 1 and 2](#) represent the main results.

The two models found are significantly different: the procedure consists in constraining the respective couple of relations to be identical and assess the impact on the chi-square.

H1: The effects music induced arousal on the store related thoughts are significantly stronger in the post than in the pre-purchase situation (chi-square = 15.58; $df=1$; $p=.000$). Note that the effects of arousal on store related thoughts are in opposite directions in the two shopping situations: the relation is negative (-.03) in the pre-purchase situation and positive in the post-purchase situation (+.05). *H1 is partially supported*, since the effects are significant (as hypothesized) but stronger in the post than in the pre-purchase situation (whereas the opposite was hypothesized).

H2-The effects music induced arousal on the time related thoughts are significantly stronger in the post than in the pre-purchase situation (chi-square = 7.94; $df=1$; $p=.005$): the lower the arousal the more the number of time related thoughts (-.04 vs -.13). *H2 is supported*.

H3-The effects of music induced arousal on the store image are stronger in the pre than in the post purchase situation (-.23 vs -.09); (chi-square = 3.99; $df=1$; $p=.046$). In both cases, the lower the arousal the better the store image. *H3 is supported*.

H4-The effects of the store related thoughts on the store image are significantly stronger in the post than in the pre-purchase situation (chi-square = 4.79; $df=1$; $p=.03$): .03 vs -.12. *H4 is partially supported*, since the difference of effects were hypothesized to be in the opposite direction.

H5-The effects of time related thoughts of the store image are significantly stronger in the post than in the pre-purchase situation (chi-square = .003; $df=1$; $p=.96$); in both cases, the more the time related thoughts the worse the store image (-.10 vs -.05). *H5 is not supported*.

DISCUSSION

1-The main result is that the effects of music induced arousal on both cognitive responses and on store image are significantly different in the two purchase situations. This is an important result since so far all the studies on the atmospheric effects of music overlooked the shopping situation: the mind set of the consumers seem to be a major moderator of the atmospheric effects of background music.

2-Zakay's theory receives at least a partial support. In the waiting situation, the low arousing the music is associated with more time thoughts and less store related thoughts, as predicted by his attentional model. In the browsing situation, the low arousing music is associated with more time thoughts and more store related thoughts, which seems to contradict this theory; however one should keep in mind that in the browsing situation, the effects of music on time thoughts are much reduced. In other words, in the browsing situation, such a music produces both types of thoughts whereas in the waiting situation it produces mainly time thoughts. Consumers are not immune against wait in the browsing situation but that are less sensitive to time.

3-The effects of music induced arousal on store image are mainly direct in the browsing situation whereas they are moderated by store related thoughts and (more importantly) by time thoughts in the waiting situation. Consumers tend to have more holistic impressions in the browsing situation, that is when they enter the store; they tend to "intellectualize" their impressions in the post-purchase situation. We suggest that their attention is directed toward the outside in the browsing situation, whereas they tend to reflect on their purchased goods, on the store and on the waiting time when they are before the cash register.

4-The low arousing music seems to trigger very different effects in the two situations: whereas it enhances the store image in the browsing situation, it enhances the time related thoughts, that is mainly the negative thoughts related to the wait. It thus seems relevant to consider two differentiated types of music in the two situations.

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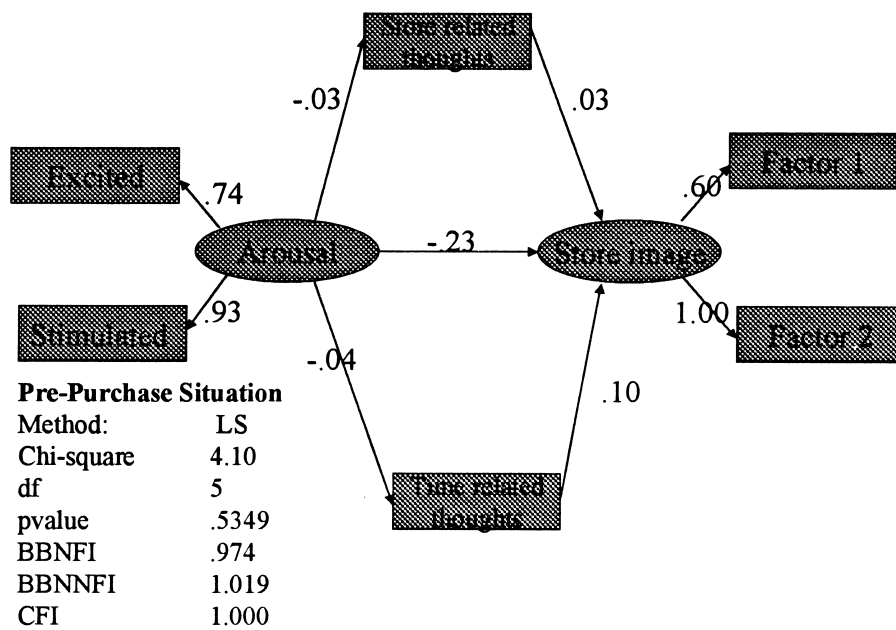


Figure 1: the EQS model for the pre-purchase situation.

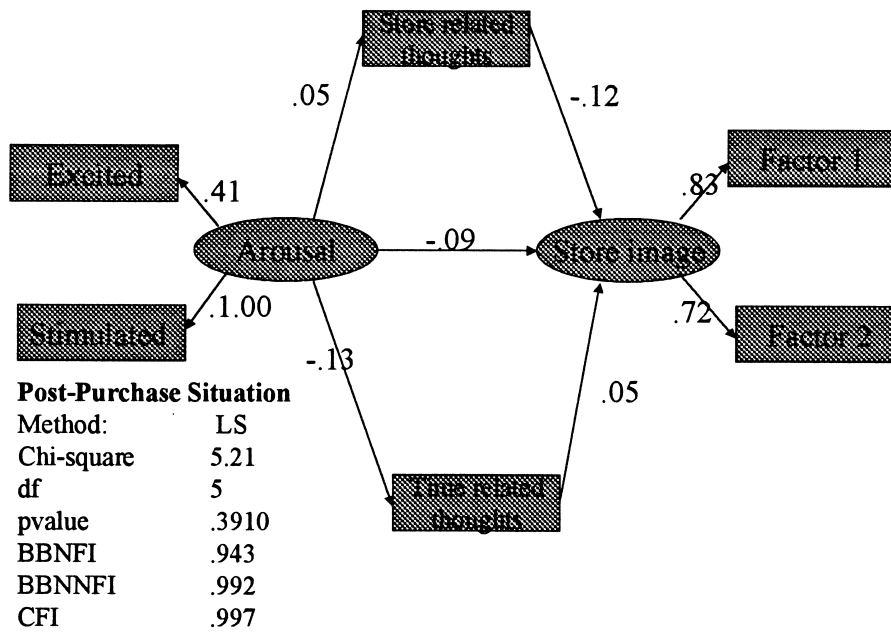


Figure 2: the EQS model for the post-purchase situation.

THE ADVERTISING EFFECTIVENESS OF DIFFERENT LEVELS OF HUMOR AND WARMTH AND THE MODERATING ROLE OF AFFECT INTENSITY

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ABSTRACT

The responses to three different levels of warmth and three different levels of humor are investigated as well as the moderating role of affect intensity (AI). In general, high levels of humour and warmth seem to be more effective, and generate significantly more positive responses in high than in low AI-respondents.

INTRODUCTION

Although the effect of the use of emotional advertising techniques such as humor and warmth, on consumers' responses is well documented (see De Pelsmacker and Geuens, 1996 and Geuens and De Pelsmacker, 1998 for an overview), studies on the effect of different levels of emotional appeals are very scarce. An exception is the study by Thorson and Page (1988). They found that emotional appeals of high intensity triggered a more positive Aad than low intensity emotional ads. Furthermore, Kroeber-Riel (1984) argues that attitudes towards mature products are predominantly formed by emotional conditioning, at least in case of high intensity emotional appeals. Empirical studies investigating specifically the levels of humor and warmth lead to the conclusion that warmth is linearly related to recall. However, as far as humor is concerned, mildly humorous appeals seem to lead to better recall than stimuli without humor or with high levels of humor (De Pelsmacker et al. 1997). Furthermore, high levels of humor also seem to lead to more irritation (De Pelsmacker and Van den Bergh, 1997). An indirect indication of the importance of the level of emotional appeals can perhaps also be found in the differential effects of ad-evoked feelings of different levels. Pieters and de Klerk-Warmerdam (1996), for instance, conclude that Aad is predominantly determined by the pleasantness of the feelings while recall seems to be most related with the intensity of feelings : ads evoking positive feelings of high rather than low intensity produce better recall scores. Burke and Edell (1989) also conclude that upbeat, intense feelings have the most positive effect on Aad and Ab. As far as we can assume that more intense emotional stimuli indeed lead to more intense ad-evoked feelings, the foregoing clearly illustrates the importance of studying the response to stimuli characterised by different levels of emotional intensity.

Affect intensity (AI) can be defined as "stable individual differences in the strength with which individuals experience their emotions". AI can be measured by means of a 40-item scale, the affect intensity measure (AIM) (Larsen and Diener, 1987). Research shows that high AI individuals as compared to their low AI-counterparts respond more positively towards emotional appeals in advertising, in the sense that they report more intense ad evoked feelings, and a more positive Aad and Ab (Moore et al., 1995, Moore and Harris, 1996). In a refinement of the analysis of Moore et al. (1995), Geuens and De Pelsmacker (1997) indeed found that ad evoked feelings and Aad are positively influenced by AI in case respondents are shown warm and humorous stimuli, as opposed to non-emotional stimuli, where no effect can be observed.

RESEARCH OBJECTIVES AND HYPOTHESES

The purpose of this study is to extend the fore-mentioned research in two directions: to investigate the responses to different levels of warm and humorous advertising appeals, and to study the moderating role of affect intensity for the responses to different levels of warmth and humor.

Indications in Aaker et al. (1986), De Pelsmacker and Van den Bergh (1997) and De Pelsmacker et al. (1997) suggest that increasing levels of warmth seem to lead to more positive affective reactions and attitudes.

H1. *Increasing levels of warmth lead to more positive affective reactions, and more positive Aad, Ab and PI*

A lot of research suggests a positive influence of humor on ad-related responses. Based on the results of De Pelsmacker and Geuens (1996) and Geuens and De Pelsmacker (1998) we even expect a greater effect of humor than of

warmth. The effect of humour on brand-related responses is less obvious, and some results suggest a negative effect as a result of too much humor (De Pelsmacker et al., 1997).

- H2. *Increasing levels of humor lead to more positive affective reactions, and more positive Aad. Moderate levels of humor lead to the most positive brand effects, i.e. Ab and PI.*

Geuens and De Pelsmacker (1997) found that the attitude towards a humorous ad is more positive if the ad is also perceived as being warmer, and vice versa. On the other hand, as indicated above, brand effects have been observed to be more negative when too much humor is used. This leads to the expectation that there is an interaction effect between the levels of intensity of warmth and humor.

- H3. *Higher levels of intensity of both humor and warmth in the same stimulus lead to more positive responses, with the possible exception of Ab and PI, for which high levels of humor might have a negative effect.*

Since increasing levels of warmth are associated with higher levels of recall (De Pelsmacker et al., 1997) it is reasonable to assume that they have lead to more cognitions. The same goes for increasing levels of humor, although some results suggest that high levels of humor lead to more negative effects. Higher levels of emotional content may have distracted the attention from the central information (about the brand) to peripheral (ad-related) cues (Baron et al., 1973, Nelson et al., 1985). Therefore, it might be expected that cognitions about the brand are not or even negatively affected by the level of warmth and humor used.

- H4. *Increasing levels of humor and warmth lead to more cognitions about the ad, but not to more cognitions about the brand. Cognitions are more positive as a reaction to increasing levels of humor and warmth.*

High affect intense individuals, as opposed to their low AI counterparts, are found to respond more positively to warm and humorous stimuli, as might be expected (Moore et al., 1995, Moore and Harris, 1996, Geuens and De Pelsmacker, 1997). It is reasonable to expect that, the higher the level of humor and warmth, the more positive the reaction of high AI individuals will be. Low AI individuals are assumed not to be affected at all by the level of emotional content of the stimuli.

- H5. *Higher levels of humor and warmth lead to more positive ad evoked feelings, Aad, Ab and Pi in subjects scoring high on affect intensity, but do not affect the responses of subjects scoring low on affect intensity.*

Increasing levels of emotional content are again assumed to lead to more positive cognitive reactions in high AI individuals, as opposed to low AI subjects. However, due to the potentially distracting effect of the warm or humorous content, brand-related cognitions are assumed to remain unaffected.

- H6. *Higher levels of humor and warmth lead to more ad-related but not brand-related cognitions in high AI individuals. The cognitions are more positive with increasing levels of intensity of humor and warmth. The cognitions of low affect intensity individuals are not affected.*

RESEARCH METHOD

In the first stage of the study, a jury selected 27 commercials in 9 categories. The nine categories are all combinations of no humor or warmth, and moderate and high levels of humor and warmth. In each category three stimuli are selected. Spots were selected for those product categories that can be expected to appeal to students (soft drinks, fast food restaurants, consumer durables, snacks, recreation, clothing and body care). In each category, 3 spots for 3 different product categories were selected to avoid systematic product category effects. Six groups of approximately 27 undergraduate and postgraduate students each were formed (166 in total). In the first group the 9 commercials for consumer durables (one for each experimental category) were tested in random order. In the second group the same commercials were tested, but in reversed order. Similarly, in groups 3 and 4 9 ads for body care products and clothing were tested. Groups 5 and 6 were exposed to 9 ads for food, restaurants and soft drinks. In subsequent analysis the scores of the three spots per experimental category are averaged to obtain one score per experimental treatment. The manipulation check reveals that ads without

warmth, mildly warm and very warm ads are indeed perceived as significantly different from each other on this dimension. The same applies to the humorous stimuli selected on the humor dimension.

The 40-item Affect Intensity Measure (Larsen and Diener, 1987) was included as an independent variable. On the basis of their AIM score all respondents are divided into three equal groups, the two extreme of which are compared. The second and third independent variables are level of humor and level of warmth. As a result, a (2X3X3) factorial design is tested. As dependent variables the following responses were measured for each of the stimuli:

evoked cognitions about the ad and/or the brand. Respondents were asked to indicate whether the ad made them think about the ad and/or the brand, and whether these thoughts were positive, neutral or negative.

the attitude towards the ad. Respondents reported on a 7-point scale to what extent they liked the ad and thought the ad was persuasive, appealing, easy to forget, not effective, believable, not informative and original. Since principal components analysis revealed one major dimension, the mean score on the eight items is used to represent overall Aad. Internal consistency proved to be satisfactory (Cronbach alpha > 0.80).

ad-evoked feelings. Respondents scored on a 7-point scale to what extent they experienced irritation, insult, interest, cheerfulness and carefreeness while watching the ad. These adjectives were selected on the basis of the research results reported by Geuens and De Pelsmacker (1998).

After the respondent had been exposed to all stimuli, the attitude towards the brand (3 items, averaged, alpha > 0.80) and the purchase intention (3 items, averaged, alpha > 0.75) were measured by means of 7 point Likert type scales for each brand. Finally, students were asked to indicate their gender.

RESULTS

In [table 1](#) the responses to lack of warmth and humor, and medium and high levels of warmth and humor are presented. Higher levels of warmth lead to significantly more positive affective responses, Aad and Ab. However, pairwise analysis reveals that this effect is almost exclusively attributable to the difference between stimuli without any warmth on the one hand, and medium levels on the other. The difference between mildly and extremely warm stimuli is not significant. Increasing the level of humor leads to more positive ad evoked feelings and Aad. In this case there is not only a significant effect of the use of humor, but also of its level. The results partly support H1 and H2. The interaction effects of the level of humor and warmth are all significant. Ad evoked feelings and Aad are invariably most positive in the case of a combination of high levels of both humor and warmth, and H3 is largely confirmed. As to the cognitive reactions to humorous and warm stimuli, the expectation in H4 is that more subjects will report ad-related, but not brand-related thoughts, and that these thoughts will be significantly more positive in the case of more intense warmth or humor. The data do not entirely support these assumptions. More ad-related as well as brand-related thoughts are reported with increasing levels of humor, although the effect seems largely due to the use of humor as such, regardless of its level.

Except for the level of irritation and the level of interest, no interaction effects between the level of warmth and the level of humor on the one hand, and affect intensity on the other, is significant. In the case of humor, the interaction effect between AI and level of humor is only significant with regard to the attitude towards the ad. Increasing levels of humor lead to more positive Aad, both in high and low AI subjects. However, the increasing appreciation of ads is significantly more pronounced in the case of high AI individuals, as expected. The other interaction effects are similar, but not significant, and H5 is only marginally confirmed. In [table 2](#) the interaction effects of affect intensity and the level of humor and warmth on cognitions are shown. The cognitions of subjects low on affect intensity are not affected by the level of warmth. The brand cognitions of these individuals are not affected by the level of humor, but more positive ad-related cognitions are developed with increasing levels of humor. In other words, only the level of humor affects the ad-related cognitions of low AI individuals. The number of ad-related and brand-related cognitions of high AI subjects is not influenced by the intensity of the emotions used. On the other hand, the more intense the humor and warmth used, the more positive the ad-related cognitions. H6 is partly confirmed.

DISCUSSION

The use of warmth in advertising leads to more positive affective responses and a more positive Aad and Ab, regardless of its level. Increasing levels of humor lead to more positive ad evoked feelings and Aad. Moderate levels of humor result in the most favorable attitude towards the brand and purchase intention. The frequency of ad- and brand-related cognitions is higher when humor is used (regardless of its intensity) but is unaffected by the use of warmth. The direction of ad-related cognitions is positively affected by the use of warmth and by higher levels of humor. Warmth has no impact on the direction of brand-related cognitions while moderate levels of humor lead to the most favorable brand-related cognitions. The use of humor has more effect on cognitions than the use of warmth. All in all, the power of humor to lead to more and more positive ad and brand cognitions is reconfirmed, as well as the stimulating role of increased levels of humor. The distracting effect of increasing levels of emotional content is to a certain extent illustrated by the fact that ad-related cognitions are positively influenced, but brand-related thoughts are less significantly affected. Although the interaction effects between affect intensity and the level of emotional content are only partly significant, the significant results have the expected direction: high AI individuals respond more positively to increasing levels of humour and warmth than low AI subjects. The effect of affect intensity seems to influence the directions of ad-related and brand-related thoughts, rather than their frequency of occurrence.

The general conclusion is that whenever warmth has an influence most positive effects can be obtained with a high level of warmth. As far as humor is concerned, on the other hand, high levels seem to lead to the most favorable ad effects and moderate intensity levels to the most favourable brand effects. Therefore, it would be interesting to investigate these differential effects levels for other emotional execution types such as fear appeals, eroticism, irritation, provocation, ... Besides affect intensity, other individual differences such as Need for Cognition, Self-Monitoring, Extraversion/Introversion;... may play an important moderating role, as well as the level of product involvement. Finally, some obvious extensions are to repeat the same study with other consumer segments than students and for products in different stages of the product life cycle (new versus mature products).

Table 1. Responses to ads with different levels of warmth and humor

	Warmth				Humor			
	No	Medium	High	sign.F	No	Medium	High	sign.F
Irritation	3.61	3.50	3.02*	.000	3.79*	3.11	3.25	.000
Interest	2.61	2.72	3.07*	.000	2.64*	2.92	2.85	.002
Cheerfulness	2.51*	3.33	3.90*	.000	2.77*	3.30	3.65*	.000
Insult	2.25*	2.01	1.96	.001	2.17*	2.01	2.01	.101
Carefreeness	2.50*	3.21	3.29	.000	2.52*	3.18	3.31	.000
Aad	3.10*	3.47	3.92*	.000	3.37*	3.58	3.53	.002
Ab	4.51*	4.70	4.36*	.000	4.41*	4.65	4.51	.027
PI	4.22*	4.53	4.23*	.000	4.27	4.34	4.37	.519

Significance levels refer to repeated measures ANOVA. Responses are measured on 7 point scales (1=low, 7=high). * indicates a result that is significantly different ($p = 5\%$) from the medium intensity level (based on pairwise tests).

Table 2. Ad-related and brand-related cognitions of low and high affect intense subjects

	Warm				Humour			
Low AI	No	Med.	High	Sign.	No	Med.	High	Sign.
Ad-related	85.8	84.6	87.0	.817	80.1	88.8	88.4	.041
Positive	40.3	45.3	46.1		26.4	42.7	60.7	
Neutral	29.5	32.8	26.2	.473	43.4	28.0	18.6	.000
Negative	30.2	21.9	27.7		30.2	29.4	20.7	
	Warm				Humour			
High AI	No	Med.	High	Sign.	No	Med.	High	Sign.
Ad-related								
Positive	36.4	52.8	55.2		32.4	46.5	64.4	
Neutral	34.3	26.1	25.5	.016	46.0	24.6	16.1	.000
Negative	29.4	21.1	19.3		21.6	28.6	19.5	

Cell entries are percentage of respondents reporting cognitions. Significance levels refer to chi² tests.

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AN INVESTIGATION OF INNOVATIVENESS AND EARLY PRODUCT ADOPTION AMONG TEENAGERS

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ABSTRACT

Marketers have always been interested in the motivations and behavior of teenagers because of their perceived willingness to try new products and ideas. The primary objective of this paper is to examine teenage innovativeness across age groups and socio-economic backgrounds and to determine if they subscribe to the category of early product adoption.

INTRODUCTION

According to Miller (1995), teenagers have become vitally important to marketers due to their growing expenditure on consumer goods and their influence over family purchasing and decision making. Zollo (1994) confirms that this consumer group has experienced increased communication, media attention and product competition as a result of five factors that highlight the growing importance of teenagers in the market place, namely, their purchasing power, their access to family income, their influence on family purchase decisions, their inclination to change and their ability to stay loyal to the products they buy over the years.

The identification of innovator/early adopter membership within the teenage market segment is the principal focus of this paper.

The Need for Marketing Sophistication

Stipp (1993) subscribes to a reasoned logic that marketers targeting teenagers, do not take time to segment teenage markets in the same sophisticated manner that adult consumer groups have been subjected to. To illustrate his viewpoint, Stipp examines how teenagers are segmented in media advertising on the basis of age groups, for example 12-14, 15-17 and so forth. He states that no one really knows where or how these groups have been formed or validated except that market research confirms the importance of age in a purchase decision.

The importance of age group is supported by Brown (1996), who believes that teenagers reach out to friends who are conveniently aged and who share the same problems, in order to develop ways of coping with uncertainty. Lifestyle, social class, school and recreational interests influence which sub-culture they will become attracted to. With the increased sophistication of teenagers as consumers, it is unfortunate that many companies involved with this market have not addressed the teenage evolution with increased marketing sophistication (Stipp 1993). Historically, marketing to teenagers used to be easy, as companies who identified popular fads, constructed a promotional campaign to support it and were generally successful. This is no longer the case. Teenagers have become a sophisticated consumer group with increasingly inherent differences, cautious of marketing programs and products which are specifically directed at them. Marketers also have to confront the increase of competition to attract the growing purchasing power of this important market segment (Shoebridge 1994).

The Effects of Social and Economic Evolution

According to Shoebridge (1994), teenagers in the 1990's are far more responsible, both in terms of their own actions and in their role as family purchase advisors. Both Shoebridge (1994) and Zinn (1994) contend that this change in teenage disposition is a result of dramatic change experienced by a major influence in their life - their family. They believe that dual employed parents and consequent decreased family time together, coupled with the social acceptance of divorce and single parent families, has meant that the older dependents have had to take more responsibility in performing household duties and in coordinating the family into a unit. Zinn adds that the social revolution of families has meant that teenagers are exposed to adult problems at a young age and are now able to cope with important responsibilities such as emotional support for family members.

Sophistication of Teenage Consumers

With increased responsibility in the family, teenagers have evolved into sophisticated consumers to enable the selection of products most suited to their needs and their discretionary income. Marinos (1994) believes that product selection has become a challenging process because of increased media attention, brought about by intense competition for teenagers' discretionary income and their positive influence in family purchase decisions. Beatty and Talpade (1994) found that teenagers have a distinct influence over family purchase decisions for products where the family perceived the teenager as possessing expert knowledge e.g. stereo hi-fi's.

Interpersonal Communication and Media Habits

Marinos (1994), Zollo (1994) and Shoebridge (1994), also concur that teenagers are prolific consumers of television and print media, reasons for which can be associated with their need to relieve the boredom of teenage life as a result of not having that real independent autonomy to do as they please. Indeed Zollo (1994) noted that interpersonal communication amongst teenagers referring to advertisements is widely prevalent and a part of everyday conversation. The nature of teenage targeted advertising is therefore important. Mundane, lifestyle advertisements are dismissed because they mimic and replicate everyday life.

Teenagers as Empowered Consumers

Teenagers in the 1990's have a feeling of increased empowerment and this has been realised in their spending behavior, and how they perceive themselves in society. They have forged a range of defined sub-cultures and resist adulthood. Thus, according to Shoebridge (1994), teenagers have become more pronounced in their behavior and possess set social rules and values which help them to be accepted as members of a distinct consumer group.

Teenagers as a Distinctive Market

Shoebridge (1994) adds that real social and economic independence is not an option because teenagers are asked to be responsible like adults but disallowed the luxuries of full time work or complete autonomy in their behavior. Thus, this important value must be projected in other forms. Brown (1996) believes that teenagers display an image of independence to be accepted as a member of their group and that unemployment has made it difficult for teenagers to obtain real financial independence. They therefore use cultural expression to project this trait. For example, teenagers purchase carefully selected brands and also join cultures which possess the characteristics they wish to employ to create this image. Dressing differently is expressing a statement of independence, even if it is with the security of like minded people. With the ever expanding and constantly changing conglomeration of sub-cultures, independence is projected through a number of different images evident in today's teenage environment. These images are reflected in teenage groups who are known as are skaters and skegs, surfies and homies, goths, ferals, punks, clubbers, ravers, grungers, bogans and boppets, each with their own type of music, fashion, vernacular and venues (Brown, 1996). This concept of image projection as per Brown (1996) and Shoebridge (1994), strongly suggests the notion that teenagers support only well known brands and cultures which project these independent traits, as the purchase of the brand can reinforce their membership to other members of their teenage sub-culture. Zollo (1994) established that teenagers fear switching brands as it may jeopardise their appearance and social acceptability. Shoebridge underlines this sentiment when he states that teenagers want to be independent in every statement they make about themselves, but they don't dare wear or use brands which do not possess popularity with other members of their sub-culture.

New Products as ongoing Propositions

There is little or no published material on new product adoption in teenage markets. Hisrich et al. (1991) state that in general, the failure rates of new products/brands is substantial. Hisrich et al. believe that by examining the *diffusion theory*, and the consequent adopter categories, marketers can enhance the probability of new product success through understanding how, when, why and also by whom new products or brands are accepted.

The Diffusion Process and Teenagers as Early Adopters

There has been limited published research conducted on teenagers and the diffusion process. Rogers (1976) identified key independent variables that influence this process (and which have the greatest correlation with specific adopter categories), such as education, social mobility, opinion leadership, intelligence and the interconnectedness with a social system. Hence in any investigation of teenagers and the adopter categories, it would be useful to include socio-economic variables which will impact upon and help create such categories especially since there is little or no published research examining profiles and the adoption categories within the specific group of 13-19 year olds.

The Need for Teenage Diffusion Research

There appears to be a lack of robust empirical research which confronts the issues of product and innovation adoption with respect to the specific target group of teenagers. Also, there is conflicting opinion on the influence of age, with respect to segmenting the teenage market into resource efficient, homogenous groups. Indeed, many companies involved in the teenage market do not perceive differences amongst teenage audiences, and therefore do not employ a target market segmentation approach. The facile belief that all teenagers are in fact early adopters confirms this assertion. New research findings examining the adoption categories and innovativeness of teenagers could be of vital importance to future strategies introducing new brands and products into the teen market or markets in which teens greatly influence the final purchase decision. Such findings could also provide important insights into the reasons for immense failure rates for new products or brands introduced into such markets. The identification of teenage early adopters would therefore be of significant importance to companies wishing to enter or remain viable in the highly competitive teenage market as such information could reduce the failure rate of new products or brands by identifying those most likely to adopt them.

OBJECTIVES OF STUDY

The identification of innovator/early adopter membership within the teenage market segment is the principal focus of this paper. This research examines the correlation of causal factors of age and socio-economic membership with **innovativeness** (willingness to change) and also the correlation of these factors with **product trial** (physical adoption of a new product/brand ahead of the remainder of the teenage social system). This paper also seeks to probe the influences such as family, discretionary income, technology, gender and part-time work on the innovativeness of teenagers and their propensity to trial a product.

METHODOLOGY FOR DIFFUSION RESEARCH

Consideration of the Diffusion Process

If marketers generally perceive all teenagers to be early adopters or innovators and in fact they are not, then naturally most products or brands they introduce will possess a high probability of failure, due to the undifferentiated approach they adopt (Hisrich et al. 1991).

In order to obtain empirical data to refute or support this orientation, Rogers' (1976) diffusion theory can be utilised as it offers a historical and methodological framework for identifying teenage innovators/early adopters (Bass 1990). In the theory of diffusion there are five categories, each defined by their standard deviation from the mean time of adoption for the population and providing information on which members of a population are likely to adopt a new product or service before other members of that population. A notable limitation of Rogers' theory however outlined by Bass (1990) and Gatignon & Robertson (1985), is that his method of determining innovativeness and therefore his distinction of the five categories is based on post innovation diffusion i.e., time is the variable that is utilised to describe innovativeness and define the five adoption sub-groups. Bass states that this limitation is detrimental to marketers wishing to plot the diffusion curve before the product has matured. Considerable study by researchers including Hurt et al. (1977) has been conducted on the classification of adoption categories utilising an **innovativeness scale** as an alternative measurement construct to time. In determining the most pertinent innovativeness scale for teenage adopter classification, it is important to first examine the definition of innovativeness.

The term 'innovativeness' is a key word in all diffusion research and has often been defined as the follows: "the degree to which an individual or unit of adoption is relatively earlier in adopting new ideas or products than other members of a social system" (Rogers 1976). Hurt (1977) notes that there has been a number of inconsistencies relating to the definition of innovativeness; for example risk-taking has often been synonymous with innovativeness. A more traditional approach to a definition, is to describe innovativeness as a behavior dependant upon the individual's perceived attributes of innovation. This thought is congruent with Katz (1961) when he states " ...an innovation must be characterised with respect to the pattern of thought and actions of the person to whom it is directed." Thus, *a robust definition of innovativeness must focus on the individual rather than the product itself*. Feaster (1968) states that innovativeness is an individual's need to innovate or possess a positive disposition towards change. Indeed, research examining this concept has classified innovativeness as a general personality trait (Hurt 1977).

This paper has chosen to describe innovativeness in Hurt's terms as "A normally distributed underlying personality construct which may be interpreted as an individual's willingness to adopt change." Such a construct has advantages for measuring innovativeness which is not innovation or product specific, by self-report techniques. This investigation will employ Hurt's (1977) method of measuring innovativeness. Hurt's method differs from Rogers (1976), in that the innovativeness measure is not derived from data gathered after the fact interviews, but by respondents giving a self report on their own innovativeness. Hurt's Innovativeness Scale (IS) is designed to measure an individual's innovativeness or willingness to change, thus changing the focus of diffusion research from the innovation to the individual. Witteman (1976) when employing the IS, retained the unidimensionality of the instrument and the normality of distribution in the scores and confirmed that the IS is a valid construct for determining the innovativeness of individual's within a sample.

Method of Defining the Adoption Categories

Moore (1991) proposed that a **chasm** occurs at the 10% mark of the diffusion curve between two groups, namely, innovators/early adopters (trialers) and the early majority. Moore states this chasm is evident as a gap between the scores of respondents. This defined break occurs in the diffusion curve at the point where product innovators/early adopters become early majority. **Thus, the results from data derived from the Innovativeness Scale can be usefully employed by plotting the diffusion curve to predict the future adoption behavior (product trial) of individuals within a social system.**

Hypotheses

The following were the hypotheses on which the investigation was based to get an understanding of the influence of the causal variables of age and socio-economic membership (identified earlier in this literature review as having a big impact on teenage behaviour) on innovativeness and product trial by teenagers.

- H1 All teenagers are not within the classification of product trialers
- H2 Age is a significant predictor of product trialers.
- H3 Age is a significant predictor of innovativeness
- H4 Socio-economic membership is not a significant predictor of product trialers.
- H5 Socio-economic membership is not a predictor of innovativeness.

RESEARCH DESIGN

Sample

The sample of 259 respondents was derived from two schools in the western metropolitan region of Melbourne. The schools investigated are in neighboring suburbs, with respondents living in close proximity to each other, decreasing the probability of cultural and geographical variables impacting upon the results. The two schools involved in the research are DP Secondary College and MB College. MB College is an privately run school requiring premium fees to attend, while DP secondary college is supervised under government administration requiring no fees. The difference in cost to attend these schools is an indicator of the difference in the socio-economic status of respondents from the two schools. Both schools have classes that run from Year 7 to Year 12. The ages of students range from 12-19 years and thus ensured the investigation covered the full teenage range. Recruitment of students was from one class of each year level, ensuring that entire class

also studied the core or compulsory unit subject for that year level. Respondents were administered the Innovativeness Scale in a controlled classroom environment.

Research Methodology

Hurt's IS was administered to the sample respondents. The original terminology was simplified to enable the high school kids to easily understand the questions asked. Also the Innovative Scale was adjusted to have a 5 point scale, instead of 7 as in the original IS. This change decreases the range and distribution of scores, however it creates a robust forum for ensuring reliability of data.

Data Analysis

The Criterion (dependent) Variable is the IS total score, which is derived from the IS questionnaire as proposed by Hurt (1977), and this score helps determine the adoption category of the respondent.

The Independent Variables are the responses derived from data in the questionnaire. The relationship of these variables with the criterion variable were examined to provide further insight to the adoption categories, and to prove or disprove the hypotheses relating to demographic influences. The independent variables include the following:

Post code

Age

Position in family as a child in terms of age

Family size

Parent employment background

Respondent employment background

Socio-economic status

Discretionary income

Television and Video ownership

Computer ownership

Internet access

These variables were selected as they were considered important demographic and social variables impacting upon the teenagers in the 1990s.

The SAS statistical package was used to analyze and test the results of the field investigation and the following statistical methods were employed..

Test of means "T-Test": To test the relationship with independent variables and innovativeness.

Chi-square Analysis: To test the significant difference of ratios with product trialers and independent variables.

Descriptive Analysis: To compute distribution, mean, standard deviation, frequency, percentages to produce distribution charts, adoption categories, general description of data.

Correlation Analysis: To analyse the relationship with age and innovativeness and number of children in the family and innovativeness.

Analysis of Variance: To analyse the relationship of discretionary income and innovativeness.

Synopsis of Key Findings

All teenagers are not within the category of Product trialers.

Age was found to be a significant predictor of product trialers.

1. School curriculum rather than age was found to have a positive relationship with innovativeness.
2. Socio-economic membership was not a significant predictor of product trialers.
3. Age is a stronger predictor of product trialers than socio-economic membership.

Socio-economic membership does have a significant effect upon innovativeness with the higher socio group reporting higher scores.

Socio-economic membership is a stronger predictor of innovativeness than age.

DISCUSSION OF RESULTS

All Teenagers are not within the category of Product Trialers

It was found that the proposition concerning teenagers as product trialers cannot be supported as a presumed outcome. This conclusion was corroborated by the extreme range of scores experienced in the reported results of Hurt's Innovativeness Scale. The respondents' range of scores were from 49-89 (Mean =68.69, Mode=67, Std. Deviation=7.03), which reflect a significant disparity amongst the teenagers who participated in the study. Such a range helps to confirm Rogers' (1976) assumption that personality traits such as innovativeness are distributed in a normal manner. The normal distribution is further exemplified by the skewness of the distribution of IS scores which was 0.07. With respect to the distribution of scores, it was found that there was a slight chasm in the scores which supports the validity of Moore's method of defining product trialers. This gap was located at the IS score of 79, which represented 9% of the sample. The chasm was also more marked in the scores for respondents at DP Secondary College (government school). The occurrence of this abyss strongly suggests that there is a marked difference between product trialers and the remainder of the sample. It must be noted that a chasm also occurred with the laggards, at the opposite end of the scale, located at the scores 54-81 for both schools involved in the study.

These results indicate that there are niche segments within the sample, each with distinct characteristics that need to be addressed with specific marketing strategies. This result has important implications for organizations who have teenagers as their primary target market; for example, it implies that if new product or new concept introductions are to be given every chance of success, a sophisticated marketing strategy which considers the segmentation of the teenage market into smaller homogenous groups must be developed. These findings also suggest the need for further research to compare results from both teenagers and the remainder of the entire social system, to examine the position teenagers are placed in society with respect to innovativeness.

Age is not a significant predictor of Product Trialers

An important finding of the study was the significant relationship age displayed with identified product trialers (chi-square=0.006 and significant at 99% confidence level). Age therefore provides a useful criteria to identify and define product trialers. The two participating schools however demonstrated different age group representations amongst the product trialers. The private school (MB College) demonstrated strong representation among product trialers from 14-15 year olds with a total of nine which represent approximately 40 % of total product trialers and 56 % of all MB College trialers. The government school (DP College) displayed strong representation among product trialers from 17-18 year olds with a total of six (5 were 18 year olds) and represented 26 % of total product trialers and 85 % of DP product trialers. These findings indicate that *product trialers from different socio-economic backgrounds may vary greatly in age*. Hence, the private school product trialers displayed evidence that they are much younger than their government school counterparts, in fact three to four years younger. This result possesses important implications for programs directed at teenagers. In the state school system, promotional programs including community based initiatives targeting product trialers ought to be directed at the senior school (years 11 and 12), and within the private system the programs could be directed at years 9-10, to facilitate the efficient and rapid adoption of a new concept.

Age has a relationship with Innovativeness

Innovativeness in general terms was also found to have a significant relationship with the respondent's age. The Analysis of Variance result (0.0010) demonstrated this strong relationship. A greater proportion of students from the private school as opposed to the government school scored significantly higher in their early years on *innovativeness*.

It appears that at MB College in years 8, 9 and 10, students are given far more independence than in their previous years through decision making and leadership activities in programs such as Outdoor Education and School Planning Committees. On the other hand at DP College, such programs are introduced only at Senior School levels i.e. years 11 and 12, which accounts for the high innovativeness score from these years at this school. These results could be usefully employed to establish a positive relationship of the school environment with the personality traits of teenagers and also to design a school curriculum to have a catalytic relationship with teenage 'innovativeness' membership.

Socio-Economic Membership does not have as strong a relationship with Product Trialers as does Age (chi-square = 0.207 and not significant at 10% confidence level)

The reason for this could therefore be that teenagers from different schools are exposed to curriculum activities which promote innovativeness at different ages. It is therefore fair to conjecture that the variable which has the greatest relationship with teenage product trialers as well as innovativeness is the actual curriculum of the school each teenager attends, rather than family, personality or peer influence. Such a finding would have practical applications for marketers wishing to attract teenage product trialers. If this proposition could be empirically supported, it would suggest that marketing programs focused on product trialers, should be directed at school year levels which possess curriculums with administered or introduced leadership programs.

Socio-Economic Membership has a significant effect upon Innovativeness with the higher Socio- Economic group reporting higher scores (T-test = 0.0514 and significant at 10% confidence level).

The T-test result of 0.0514, which is at a confidence level of 10%, underlines the proposition that the socio-economic background of respondents possesses significant relationship with general innovativeness. The postulate of school curriculum effecting innovativeness, is certainly well supported by this result especially since the private school (MB College) respondents are introduced to leadership programs at a younger age, and thus this could have a significant effect upon their innovativeness. Also, social background may be a crucial factor with the respondents' willingness to change- a result of the need to avert social risk. This variable is referred to in the literature where teenagers gravitate to specific sub-culture groups and remain loyal to the social parameters developed within the group.

It is reasonable to believe that teenage students from higher socio-economic membership who demonstrate a greater 'innovativeness' or willingness to change, would largely be empowered by a greater purchasing power. The investigation however discovered that the average discretionary 'cash' of government school (DP College) respondents was higher than those from the private school (MB College). Discussion with participating teachers at DP College revealed that a significant proportion of their older students (years 9, 10, 11, 12) are the recipients of a government education benefit called AuStudy. The eligibility to obtain this cash benefit is means tested against their parents income. As a result of the means test, a significant proportion of the private school students are rendered ineligible to receive the government cash benefit. This study has established that a major proportion of students from the government school in spite of having higher average disposable cash, scored lower in 'innovativeness' on the Innovative Scale. **Therefore it is suggested that teenagers 'willingness to change' or innovativeness is not significantly affected by their immediate spending power but by their higher socio-economic membership. However their higher socio -economic membership is not a significant predictor of product trial.**

It was also interesting to observe that family constructs like number of children in family, respondent's placement in family, etc did not possess a significant relationship with general innovativeness. However, what was evident was that extreme innovativeness membership had a significant relationship with the family construct of parents working as opposed to being unemployed. It was found that all product trialers had either one or both parents working. Thus, those respondents with parents unemployed or on a type of pension, were not associated with innovativeness. It appears that such a family scenario cause conservatism due to the financial uncertainty and a subconscious need to conserve resources. In addition to this postulate, if the parents are retired, their age and perceptions (being more conservative in nature), could have a considerable impact on the teenagers' personality and their willingness to adopt change. This relationship is seen as important, as it is the only family construct which yielded a significant relationship with extreme innovativeness. Further research examining this result, would be of considerable importance as it would enable marketers to discern if parents' age has an impact on teenage innovativeness or product trialer membership. The outcome could be utilised to screen out geographic areas with a higher reported age, aiding in segmentation strategy targeting product trialers.

Among the independent variables the ownership of a Personal Computers has a significant relationship with general innovativeness, in that those with PCs had a higher IS score than those without a PC.

CONCLUSION

A key factor in today's teenagers is their immense inclination to buy and at the same time their growing sophistication as discerning buyers. While their sophistication is challenging companies to exploit teenage patronage, marketers are at odds to facilitate early adoption and diffusion of their new products among this audience without a full understanding of teenagers either as innovators or as product trialers. Rogers' theory of diffusion is the cornerstone of marketer's knowledge of new product adoption, but this theory does not explicitly address the issues of product and innovation adoption with respect to the specific target group of teenagers. Also, there is conflicting opinion on the influence of age, with respect to segmenting the teenage market into resource efficient, homogenous groups.

This paper is an investigation of innovativeness of teenagers from distinct backgrounds, using a modified Hurt's scale on variables identified in the literature against their changing social roles, age, peer pressure and school environment. **This study has established unequivocally that among teenagers while age is a significant predictor of product trial (across all socio-economic strata), it is more so in an environment where the school offers leadership and decision making programs. A greater proportion of teenagers from higher socio-economic membership scored high in general innovativeness or willingness to change rather than in propensity to trial a product. The study also identified that an enhanced school curriculum could facilitate both innovativeness and product trial across teenage age groups and socio-economic memberships.**

The findings of the study could be of vital importance to future strategies introducing new brands and products into the teen market or markets in which teens greatly influence the final purchase decision. Such findings could also provide important insights into the reasons for immense failure rates for new products or brands introduced into such markets. The paper also identifies future areas of potential research.

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RECONCEPTUALIZING TRUST: AN EVOLUTIONARY PROCESS MODEL

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ABSTRACT

The literature has, historically, acknowledged that trust evolves between parties, indicating a dynamic state of affairs. Yet trust has generally been operationalized as a static state of affairs within the relationship; that is, it either exists or does not exist between partners. One question that has been overlooked is how do the partners in a relationship come to trust one another or fail to trust? Perhaps even more important to an understanding of trust is the question of whether trust itself changes throughout the life of a relationship.

Existing research has yielded a myriad of variables associated with trust but has reached no consensus on the point at which they are found in a relationship or if they are found at all in every trust based relationship. If the construct of trust is easily defined as existent or not, then there should also be a consistency found in the underlying variables used to measure trust. With no consistent explanation, it becomes necessary to look at alternative conceptualizations of the trust construct to understand why certain attributes are found at some times but not others. The perspective taken in this paper is that trust is not merely a state of being, as it has been operationalized, but is a dynamic process with distinct and identifiable stages where different dimensions are needed to fully understand the role of trust in differing stages of the relationship.

Given that trust is a major factor in relationships, it is important to examine how trust may change over the life of the relationship. Authors have proposed a vast number of antecedents and consequences of trust, but have been unable to present a consistent picture of the critical elements. Different elements of trust may be more relevant to the individual stages of development within relationships. This paper conceptualizes four stages of trust, all linked in such a way that the outcomes of one stage are the antecedents of the next. Consideration of trust in this framework allows the explanation of why certain attributes of trust have been found important in some studies but not others. Not all relationships are in the same stage of development and some may never reach the level of maturity that requires fully trusting behaviors. However, as partners progress through the development of trust, certain dimensions will assume greater importance in some stages and have a lesser, or possibly nonexistent, impact in other stages.

It has been useful to examine trust under the accepted condition of whether it exists between partners or not, to identify associated variables and to provide a basis for more complex conceptualizations. This dichotomous view, however, has limited the growth of our understanding of trust. What should be of more interest to researchers is not whether trust exists, but how it exists, once the partners have crossed the boundary into a trust based relationship. We define two conceptually distinct levels of trust, beyond the simple existence of trust, which can more adequately explain the divergent findings found in existing literature on trust. If this is an accurate conceptualization of the construct, it is no longer useful to view all trusting relationships as being the same.

THE ROLE OF INTERPERSONAL TRUST IN THE CLIENT - CONSULTANCY RELATIONSHIP: AN EXPLORATORY ANALYSIS

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ABSTRACT

As the concept of relationship marketing becomes the dominant paradigm in understanding business to business exchange, the role of trust has received increasing attention, indeed Spekman (1988) calls it the “cornerstone” of a strategic partnership. Trust is a word that has many interpretations. It has been considered in a number of academic disciplines, for example social psychology, sociology, psychology and marketing each focusing on the particular elements of the concept that they view as most salient. As a result, we can identify 3 broad categories of interpersonal trust: basic or fundamental trust, the personality trait that disposes an individual to be trusting; general trust, an individual’s general tendency to trust or not to trust another individual and finally, situational trust which is dependent on the situational cues that modify the expression of generalized tendencies (Dibben, Harrison and Mason 1996). Situational based trust is posited to be the most important of the trust types and is the focus for this research. In order to construct a framework for the understanding of situational based trust we firstly review the three main trust typologies described in the literature and then put forward a model of trust by (Dibben 1998) which attempts to extend the current conceptualization. This model identifies five theoretical trust types, faith based trust (c.f. Meyerson et al, 1996), dependence based trust (c.f. Lewicki and Bunker, 1996, and Murphy and Gundlach 1997) familiarity-reliance based trust (c.f. Lewicki and Bunker, 1996), situational cue (SQ) reliance based trust (c.f. Clark, 1993) and confidence based trust (c.f. Lewicki and Bunker, 1996, or Murphy and Gundlach 1997).

The model is then discussed in the context of a particular business service, public relations consultants. The results indicate that there are features of the client consultancy relationship that are trust based although not all trust types could be identified. There was no evidence for faith based trust in this relationship and very little evidence of confidence based trust. Rather the client consultancy relationship appears to be reliant upon dependence based trust, familiarity based trust and situational cue based trust. However, although familiarity and situational based trust both develop over time, according to the subjective perceptions of the individual client, situational based trust would appear to lead to more frequent switching whilst familiarity based trust is more likely to lead to long term relationships

RELATIONSHIP STRENGTH IN BUSINESS RELATIONSHIPS AND ITS ROLE IN OBSERVED RELATIONAL OUTCOMES

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INTRODUCTION

Relationship marketing is not new in either business or consumer markets; however, our theoretical understanding of these relationships has grown since the early 1980's when Berry (1983) and Dwyer, et al. (1987) focused academic attention on the potential they hold. This led to a clearer understanding that all business relationships are not the same, but differ in the degree of relationalism within the relationships. These differences in relational character may affect the level of joint outcomes achieved by each relational partner, as well as the organizational unit, according to recent research (Mohr and Nevin 1990; Varadarajan and Cunningham 1995). These preliminary findings suggest that we need a richer understanding of the critical differences between relationships, since theories developed and tested in the context of one type of relationship may not be equally valid in the context of a different type of relationship.

HYPOTHESES FOR BUILDING THE RELATIONSHIP STRENGTH CONSTRUCT

Some researchers suggest a fruitful way of forming relational schemata is using their behavioral processes (Achrol 1997). Important behavioral aspects of relational organizations are not fully developed in the literature, although several researchers identify one or more organic-type constructs; including trust, commitment, dependence, relationalism, flexibility, communication, and power balance (Achrol 1997; Mohr and Nevin 1990; and Morgan and Hunt 1994). Several of these constructs, conceptually representing the strength of the relationship, are cited as key factors in relational success. Thus, the construct relationship strength suggests that differences in the levels of trust, commitment, and relationalism between relationships substantially impact their functionality and ability to achieve superior joint outcomes (Boyle, et al. 1992; Mohr and Spekman 1994; and Morgan and Hunt 1994). This leads to the following propositions:

P1: The greater the levels of (a) trust; (b) commitment, (c) relationalism existing between members of a long-term relationship the stronger the relationship.

P2: The greater the level of relationship strength existing between members of a long-term relationship the greater the joint outcomes, such as cooperation, adaptation, performance, and relationships satisfaction.

Using the relationship's ability to promote joint action on one axis and the strength of the relationship on the other, a table has been constructed locating different types of relationships, such as franchises, strategic alliances, and arm's length transactions in the four quadrants formed. Thus, the concept of relationship strength adds to the emerging understanding of what makes successful relationship and how these relationships can best be managed for maximal returns. This conceptualization, therefore has implications for both managers involved in long-term relationships and academic researchers trying to understand these relationships.

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Available upon request from the author

OFFENSIVE VS. DEFENSIVE OPPORTUNISM IN MARKETING CHANNEL RELATIONSHIPS: AN ESSAY ON THEIR ETHICS

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ABSTRACT

The main purpose of this paper is to stimulate some discussions on the ethics of opportunistic behaviors in marketing relationships. It proposes that the cause of opportunism may have some bearing on its ethicality. The central argument made in the paper is that while offensive or proactive opportunistic behaviors are ethically wrong, defensive or reactive opportunistic behaviors aiming at restoring exchange equity and preserving the exchange party's freedom may be ethically permissible.

INTRODUCTION

In channel relationships, firms retain autonomy, have separate self-interests, yet have to cooperate with each other to attain the common or individual goals. Perhaps the most commonly documented problem facing channel relationships is the threat of opportunism by its members (Williamson 1985). Rather than fulfilling contractual obligations dependably and performing functional extra-role activities, members may take advantage of their contractual rights and/or other opportunities to engage in unrestrained self-interest seeking behavior, at the expense of the mutual benefits and its partner's interests (Gao and Brown 1997). This paper examines the ethical aspect of opportunistic behaviors in marketing channels. First, the present research on ethical issues in marketing is reviewed. Then, a distinction is made between two types of opportunistic behavior (OPB), offensive and defensive, along the cause of these behaviors. Based on the exchange equity theory, the psychological reactance theory, and the tenets of the right-based and utilitarian perspectives of business ethics, the paper argues that defensive (or reactive) opportunistic behaviors aiming at restoring relationship equity and maintaining exchange freedom may be ethically permissible.

A REVIEW OF RESEARCH ON ETHICS IN MARKETING

The existing research on ethical issues in marketing has taken two separate paths. One stream of research has attempted to provide an understanding of the ethical decision-making process. Studies of this type usually examine the antecedent factors of ethical decision-making (Ferrell and Gresham 1985; Ford and Richardson 1994; Hunt, Chonko, and Wilcox 1984; Kelly, Skinner, and Ferrell 1989). For example, Ferrell and Gresham (1985) proposed that ethical behaviors of firms are influenced by individual factors such as socialization, education, and cultural backgrounds; organizational factors such as management influence and interaction; and the opportunity to make ethical decisions. Hunt and Vitell (1986) discussed the effects of various environmental factors (cultural, industry, and organizational) and personal experiences on ethical behavior. Jointly, studies of this stream find that firm ethical decision-making behaviors are determined by environmental, organizational, and personal factors (see Ford and Richardson (1994) for an excellent recent review of this research path).

Another stream of work has predominantly focused on examining specific practices employed by marketers (Bok 1978; Dees and Cramton 1991; 1995; Hunt et al. 1984; Robin and Reidenbach 1987; Strudler 1995). Studies of this type often discuss the ethicality of a particular practice, with the aid of one or both of the two major theoretical frameworks, teleology and deontology (Kant 1797; Augustine 1952). For example, based on these two perspectives, authors have studied the ethical profile of deception in advertising (Carson, Wokutch, and Cox 1985) and in negotiation (Strudler 1995). Another example is Carr's (1968) proactive work on the ethics of bluffing in general business. The current study falls in the second stream of research. It examines the ethics of a conventional type of business practice in marketing channels: opportunistic behaviors. This article will focus on the justification of certain opportunistic behaviors.

CONCEPTUALIZATIONS OF OPPORTUNISTIC BEHAVIORS

The study of opportunistic behaviors rests at the heart of transaction cost economics advocated by Coase (1937) and Williamson (1985). Williamson (1985) defines opportunism as “self-interest seeking with guile,” which “includes but is scarcely limited to more blatant forms, such as lying, stealing, and cheating” (p. 47). In more general terms, opportunism refers to the “incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse” (p. 47). What distinguishes ordinary self-interest seeking from opportunism is that the latter involves deception. Opportunism is inherently deceptive. Such well-known deceptive techniques as lying, bluffing, information concealing, cheating, and shirking can, if used for self-interest seeking, all become forms of opportunism. Specifically, Anderson (1988) identifies four typical forms of opportunistic behavior in a marketing channels: misrepresenting information, activities or efforts; distorting results; misrepresenting intentions; and misrepresenting selling costs.

Opportunism becomes possible in channel relationships under certain conditions, such as when the principal has imperfect control over its agent, the contract is vague and incomplete, and when the performance is inherently hard to measure and costly to monitor (Anderson 1988; John 1984; Williamson 1985). Opportunism, if left unchecked, will be detrimental to relationship functioning since it significantly increases transaction costs. Exactly because of the potential hazards related to opportunism, some forms of governance must be put in place. The level of transaction costs, which arise due to agent’s opportunistic tendency, is the basis for the choice of appropriate governance structures (Williamson 1985). Indeed, were it not for opportunism, there would be no need for comprehensive (and often costly) pre-planning.

The issue of interest in this paper is the ethics of opportunistic behaviors. Are all opportunistic behaviors unethical under all circumstances? Can they become ethically permissible at given conditions? To approach this issue, one can dichotomize all these behaviors into two types, along the cause or motivation of such behaviors. The cause of opportunistic behaviors can be seen as a continuum anchored by offensive or proactive at one end and defensive or reactive at the other end (Gao and Brown 1997).

The Offensive Opportunistic Behaviors

The traditional view of opportunism sees it as an offensive and proactive means for self-interest seeking. A representative of this view is Williamson (1985), who categorizes opportunism as one of a more strategic kind in that human being will behave so whenever such behavior is possible and profitable. Some authors even claim that economics is based on the premise that rational agents shirk wherever possible (Frey 1993). Ghoshal and Moran (1996) categorize this view of opportunism as being dispositional. Offensive opportunism is extremely harmful to the functioning of channel relationship because an opportunistic party always put the bilateral interests in a second place, i.e., after one's own interests. On the other hand, many researchers (Bonoma 1976; John 1984) realize that unrestrained self-interest maximization is not characteristic of human nature. Even Williamson (1985) admits that not all actors will behave opportunistically. His argument, however, is that due to bounded rationality and uncertainty, it is difficult to distinguish benign actors from cheaters. So it would be safer to assume a priori that all actors would behave opportunistically. Therefore, the transaction cost theory is nevertheless based on an assumption of unrestrained opportunism by economic players.

The Defensive Opportunistic Behaviors

Emerging in marketing is the notion that rather than behaving opportunistically whenever possible and profitable, firms with long-term orientation may rationally choose to trust and cooperate with their partners (Hill 1990; John 1984; Macneil 1980, 1985; Provan 1993). This recent theoretical advancement leads to the formation or consolidation of a second view of opportunistic behavior, which sees opportunism as a variable of a situational nature (Ghoshal and Moran 1996). According to this line of reasoning, people will not engage in opportunistic behavior unless they are compelled to do so (Bonoma 1976; John 1984). That is, opportunism may only serve as a defensive and reactive means (Gao and Brown 1997).

to restore exchange equity or preserve individual firm's behavioral freedom. This view has its roots in the social exchange theory (Blau, 1964), equity theory (Adams 1965), the perspectives on psychological reactance (Eagly and Chaiken 1993), frustration-aggression phenomenon (Child 1972), and that on "feeling for the entity" (Ghoshal and Moran 1996).

THE ETHICS OF GENERAL (OR OFFENSIVE) OPPORTUNISTIC BEHAVIORS

The philosophical traditions of teleology and deontology provide the two major frameworks used to evaluate the ethics of deceptive behaviors. Although these two frameworks provide general ethical guidelines, there is no totally accepted statement of what is ethical and what is unethical (Robin and Reidenbach 1987). However, some statements are more generally agreed upon than others.

Kant (1797), perhaps the most renowned opponent of deceptive behaviors, holds that truth-telling is an unconditional duty which holds in all circumstances. Augustine (1952) concurs with Kant by asserting that death kills but the body, but a lie loses eternal life for the soul. With regard to lying, a particular type of deceptive behavior, Kant and Augustine believe that there is no instance when it is appropriate to lie - even if a lie can save the life of an innocent person. Therefore, according to these writers, deceptions must be unconditionally ruled out (cf. Bok 1978). This deontological view of deception is also echoed in the marketing literature. Hunt et al. (1984) declare deceptive behaviors in business relations as ethically wrong, because the performance of duties and responsibilities by an individual is inconsistent with his/her duties and responsibilities toward another group or organization. Summarized by management scholars Carson, Wokutch, and Murrmann (1982, p. 19), this view is a reflection of the common sense that "there is presumption against simple deception."

There have been disagreements toward this generalization, however. An example is Carr (1968) who, in a provocative article on bluffing in business, views bluffing as a mere rule of the game. He insists that ethics of business practices should be seen as different from the ethical ideals of civilized human relationships. Yet, regardless of the counterarguments, a general consensus seems to exist among scholars of business ethics, that is: deception in business dealings is at least *prima facie* wrong (Bok 1978; Carson 1993; Carson, Wokutch, and Cox 1985; Carson, Wokutch, and Murrmann 1982; Dees and Cramton 1991; Wokutch and Carson 1981). Alternatively put, deception requires some special justification in order to be considered ethically permissible.

Extending this view to the current study, unrestrained (i.e., offensive) opportunistic behaviors, like all deceptive behaviors, are ethically wrong, since one can hardly justify their ethics. Even Milton Friedman (1970) would declare unrestrained deceptive acts as ethically wrong. His famous assertion on corporate social responsibility is that the only social responsibility of businesses is to increase profits. Yet, a firm's profit-maximizing should stay "within the rules of the game, which is to say, "without deception or fraud" (Friedman 1970, p. 126). This argument necessarily implies that deception out of profit maximization purposes would be ethically unacceptable.

THE ETHICS OF DEFENSIVE OPPORTUNISTIC BEHAVIORS

Carson and his colleagues have extensively examined possible justifications for deceptive behaviors, specifically bluffing, in business (Carson 1993; Carson, Wokutch, and Cox 1985; Carson, Wokutch, and Murrmann 1982; Wokutch and Carson 1981;). The possible justifiable reasons for "ethical bluffing" may include oneself's own profitability, economic necessity, benefits to the party being lied to, the right to retain personal information, bluffing as a standard practice, and for self-protection. Among these, they argue, only the last reason could be used to justify bluffing. That is, "when one is a victim of violence oneself, it is permissible to use violence if doing so is necessary in order to prevent or limit harm to oneself" (Wokutch and Carson 1981, p. 81). In other words, one might be morally allowable to use deceptive means (1) in a defensive manner and (2) to prevent further harm to oneself or to recover the harm. This argument is adopted in the current paper, that is, defensive opportunistic behaviors may become ethically permissible. But the above authors failed to provide sufficient supports for their proposition. This paper draws upon the exchange equity theory and psychological reactance theory to explore some possible supports for it.

The Exchange Equity Theory

According to the exchange equity theory, an interaction between people will only continue as long as all parties derive net benefits from it (Blau 1964; Walster et al. 1997). A party typically forms a perception of equity based on the comparison between benefit it receives from the exchange and the costs (or punishments) it has to pay (or endure). It may also compare what it spends and what it gets with those of referent others. If a relationship is perceived as inequitable by one the party, it will likely request for more benefits or alternatively reduce inputs to restore equity (Gouldner 1960). In marketing channel relationships, Hardy and Magrath (1989) suggest that channel members may seek to cheat on their partner as a way of relieving built-up frustration and to repair financial inequities. For example, the dealer who is unfairly treated by a supplier will do only what is absolutely necessary to keep the dominant party's products, and will also cheat occasionally by substituting competitive lines. To a larger degree, the vulnerable dealer may engage in frequent opportunistic behaviors yet stops short of enraging the supplier who might disenfranchise itself or punish itself with more powerful means. In extreme cases, however, a mis-treated channel member may engage in more blatant defensive reactions such as destroying the supplier's reputation, leaking important marketing information to its competitors, and severing the relationship at any cost (Hardy and Magrath 1989; Gao and Brown 1997).

It might be argued that the exchange equity theory mainly explains what people will do when perceiving an exchange as inequitable, not necessarily the ethics of the ensuing behaviors. Yet, since exchange partners are entitled the right to engage in fair, equitable exchange relationship, there might be conditions where defensive opportunistic behaviors aiming at restoring exchange equity become ethically permissible. Three such conditions might exist. First, the perceived state of exchange equity itself is justifiable, that is, a clear state of exchange inequity does exist. To achieve so, a commonly acceptable standard on equitable exchanges needs to exist to justify a party's perception of the equity of an exchange relationship. Second, a party's defensive opportunistic behaviors should be absolutely necessary to restore equity, that is, no amicable and clearly ethical actions are available to achieve the same purpose. Third, in any events, the defensive practices taken to restore exchange equity should be within the limits of laws and regulations.

The Theory of Psychological Reactance

Jack Brehm's (1966) theory of psychological reactance provides another motivational theory of resistance to persuasion and actions. This theory holds that when individuals perceive their freedom to engage or not engage in some behavior as threatened or eliminated, they experience reactance, a state of motivational arousal that leads them to attempt to restore their threatened or lost freedom. According to the theory of psychological reactance and other theories of resistance (Eagly and Chaiken 1993), people use defense mechanisms, e.g., denial, projection, aggression, repression, reaction formation, to protect themselves against internal and external threats (to individual freedom). Among these mechanisms, denial may include lying, projection and aggression may include cold "blood for blood" type of revengeful reactions, repression may involve the concealment of relevant information. Therefore, a large part of these defensive mechanisms can easily cross the line and become opportunistic in nature. Although these behaviors may be generally non-detrimental to the other firm, at times, they can become totally dysfunctional to the partner and the relationship. The central commonality among them is the motivation, that is, under all of the involved circumstances, firms take opportunistic actions to defend their freedom (e.g., the legal freedom to think and act).

Similarly, some conditions are necessary to justify defensive opportunistic behaviors aiming at maintaining one's exchange freedom. First, the reacting party's concept of freedom needs to be ethically and/or legally acceptable. Second, the party's defensive opportunistic behaviors should be absolutely necessary to maintain one's freedom, that is, no amicable and clearly ethical actions are available to achieve the same purpose. Third, in any events, the defensive practices taken should be within the limits of laws and regulations.

CONCLUSIONS

The main purpose of this paper is to stimulate some discussions on the ethics of opportunistic behaviors in marketing relationships. By definition, opportunistic behaviors are deceptive means adopted for self-interest seeking. Firms in an business exchange relationship have the right to be treated fairly by their partners. They also have certain legal rights for behavioral freedom. What happens if these basic rights are violated by their partners who engage in unrestrained self-interest seeking with guile? The firms which are mistreated are first advised to seek all legal means to restore exchange equity and maintain individual freedom. On that basis, the author attempts to propose that when no other more legal and more ethically justifiable means are available, they may rely on defensive opportunism to regain equity and preserve freedom. After all, these firms have the right to be treated fairly in an exchange relationship and certain rights for freedom. These rights are either legally protected or ethically justifiable. Given this end, certain defensive or reactive opportunistic behaviors may be ethically permissible. This view is consistent with both the right-based and utilitarian perspectives on business ethics.

Besides the cause or motivation dimension, there also exists another, the outcome dimension, along which opportunistic behaviors can also be dichotomized (Gao and Brown 1997). While opportunistic behaviors are generally engaged in to serve one's self-interests, they may or may not harm the other party or the relationship. One thus can view the outcome of opportunistic behaviors (to the partner) as another continuum. It is anchored at one end by not harmful, and the other end, by totally dysfunctional to the partner. Some marketing scholars have touched on this latter dimension of opportunism in certain contexts. For example, Kelly, Skinner, and Ferrell 1989 add this dimension to the definition of opportunism and conceptualize opportunism as self-interest seeking with guile, at the expense of others. But this dimension is not inherent in Williamson's conventional definition of opportunism. Yet, treating the outcome dimension as a variable has some potentially useful implications for studying the ethics of opportunism. For example, lying or withholding certain information with guile may be ethically permissible if such behavior does not harm other parties. This issue might merit further scholarly exploration.

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ORDER BIAS IN THE APPLICATION OF THE SERVQUAL INSTRUMENT

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ABSTRACT

Service quality questionnaires were administered using the same questions presented in different orders. Results indicate that questionnaire order affects both the relationships among service quality constructs and the factor structure of SERVQUAL.

INTRODUCTION

Since Parasuraman, Zeithaml, and Berry (1985, 1988) developed and modified (Parasuraman, Berry, and Zeithaml 1991) the SERVQUAL scale to define and measure perceived service quality, several issues have emerged in the measurement of service quality. The present study is designed to investigate whether the order in which service quality questions are presented to subjects has an effect on the relationships among service quality constructs and the replication of SERVQUAL's five factor structure.

QUESTION ORDER EFFECTS

Question order has been found to affect responses in various domains (Schul and Schiff 1995; Willits and Saltiel 1995; Benton and Daly 1991; Schuman, Kalton, and Ludwig 1983). One issue explored by this research concerns the order in which specific and general questions are presented to respondents. This is particularly relevant to service quality questionnaires, since these surveys contain both specific (SERVQUAL) items and general items (items assessing overall quality perceptions). Assimilation effects, which result in *higher* correlations between SPE and GEN questions are the more pertinent effect in the case of service quality research. When asked a series of specific items are asked prior to general items (SPE-GEN) people are likely to summarize their responses to the specific items, increasing the correlation between the specific questions and the general question (Carlson, Mason, Saltiel, and Sangster 1995). In service quality questionnaires, the 22 SERVQUAL items are specific, while items evaluating *overall* assessment of service quality are more general in nature. If the SERVQUAL items are asked prior to the overall quality items (SPE-GEN order), the correlation between the SERVQUAL items and overall quality should be higher than if the overall quality items were asked first. Furthermore, when specifying a structural model for the relationship between SERVQUAL and overall service quality, the fit of the model with the available data may vary depending on what order the questions had been asked of respondents.

H1a: The correlation between perceived service quality (operationalized by SERVQUAL) and the construct of overall quality will be higher when the SERVQUAL items are presented to respondents prior to overall quality items (SPE-GEN order) than if overall quality items are presented to respondents prior to SERVQUAL items (GEN-SPE).

H1b: The form of a structural model specifying the relationship between perceived service quality (operationalized by SERVQUAL) and overall quality will vary across Group SPE-GEN (SERVQUAL items presented prior to items evaluating overall quality) and Group GEN-SPE (overall quality items presented prior to SERVQUAL items).

A second question order issue explored concerns the order of presentation for SERVQUAL expectations and performance perception items. The SERVQUAL instrument requires respondents to answer a series of 22 expectations items and a matching series of performance perceptions items, resulting in difference scores for expectations versus performance perceptions. Since service customers are presumed to form expectations (based on past experiences with the product, word of mouth from other service customers, and promises made by the service provider) (Parasuraman, Zeithaml, and Berry 1985, 1988), asking service customers to remember what their expectations were prior to the service experience

after they have experienced the service can be problematic. Based on adaptation level theory (Helson 1964), if subjects responding to a service quality questionnaire are asked about service performance prior to asking them to remember what their expectations were before experiencing the service (P-E), their expectations for the service will be biased in the direction of their performance perceptions, resulting in a higher correlation between expectations and performance perceptions responses, as well as variations in the difference between perceptions and expectations. Because SERVQUAL is based on the difference between expectations and perceptions for the 22 SERVQUAL items, changing the order of presentation of the expectations and performance perception items could affect the factor structure of the SERVQUAL responses.

H2a: If subjects are asked to respond to items evaluating their expectations of a service prior to questions evaluating their perceptions of a service's performance (E-P), the absolute value of the correlation between expectations and performance perceptions will be lower than if subjects are asked to evaluate perceptions of a service's performance prior to stating their expectations of the service (P-E).

H2b: The differences between the expectations items and the performance perceptions items will be greater if subjects are asked to respond to questions evaluating their expectations of a service prior to questions evaluating their perception of the service's performance (E-P) than if subjects are asked to respond to performance perception items prior to the expectations (P-E). Therefore, the SERVQUAL score (sum of performance perceptions minus expectations over the 22 SERVQUAL items) will be lower (more negative) if subjects respond to expectations items, then performance perceptions items (E-P), than when subjects respond to performance perceptions items, then expectations items (P-E).

H2c: The form of a measurement model specifying the relationship between the second order construct of SERVQUAL and its five factors (assurance, reliability, responsiveness, tangibles, and empathy) will vary across Group E-P (subjects respond to expectation items prior to performance perception items) and Group P-E (subjects respond to performance perception items prior to expectation items).

METHOD

To examine the effects of question order we developed questionnaires to measure service quality perceptions of banking services. The questionnaires consisted of the revised SERVQUAL instrument (Parasuraman, Berry, and Zeithaml 1991): 22 items assessing expectations and 22 items assessing performance perceptions ("banking services" were substituted for "telephone services"); three items evaluating overall service quality; and two demographic items (age and gender). All items except the two demographic questions were rated on a 1 to 7 scale.

Four question order formats (see [Table 1](#)) were administered to the sample, which was divided into four groups, each responding to a different questionnaire format. The sample consisted of undergraduate business students at two universities, one in the midwest and the other in the southeast. 640 surveys were distributed (340 in the midwest and 300 in the southeast). 585 usable surveys were collected, yielding a response rate of 91%.

RESULTS

[Table 2](#) contains comparisons based on AGE, GENDER, and COURSE for the groups that responded to the questionnaire forms. The GEN-SPE form was administered to students at the southeastern university. The SPE-GEN form was administered to students at the midwestern university. Students from the southeastern university sample were slightly older than students in the midwestern university sample (significant Chi-Square for AGE distribution), and a larger number of students from the midwestern university sample were enrolled in marketing courses versus general business courses (significant Chi-Square for COURSE). There was no significant difference between the GENDER of the SPE-GEN respondents and the GEN-SPE respondents. Because the EP-PE and PE-EP forms of the questionnaire were administered to students at both universities, there were no differences in AGE, GENDER, or COURSE between the sample respondents

for these two forms. [Table 3](#) contains the reliability and factor loading results for the three item Overall Quality scale demonstrating the satisfactory reliability and factor structure of the scale. To test hypothesis 1a, we compared the correlation of the SERVQUAL score (sum of the differences between expectations and performance perceptions for 22 SERVQUAL items) with the overall quality score (average of 3 overall quality items) between the group SPE-GEN (forms 1 and 2) and the group GEN-SPE (forms 3 and 4). The correlation between these two scores was not significantly different between the two forms (SPE-GEN: $r=.47$, GEN-SPE: $r=.53$, Fisher's $z = -.94$, $p=.17$). Therefore, H1a is not supported. To test hypothesis 1b, Lisrel multigroup analyses (using Lisrel 8.12 and covariance matrices) were performed to test whether the form of a structural model ([Figure 1](#)) was invariant across the SPE-GEN and the GEN-SPE groups of data. If model fit varies, the two groups of data do not have the same pattern of parameter matrices and the same fixed and free parameter estimates (Bollen 1989), suggesting that the fit of the model with the available data might vary depending on what order the questions had been asked of respondents. [Table 4](#) contains the results of two Lisrel multigroup analyses between the two groups of data (SPE-GEN and GEN-SPE). The first analysis evaluated model form invariance between the SPE-GEN and the GEN-SPE groups when the order of the specific questions was expectations, then performance perceptions (E-P); the second analysis evaluated model form invariance between the SPE-GEN and the GEN-SPE groups when the order of the specific questions was performance perceptions, then expectations items (P-E). The fit statistics in [Table 4](#) indicate that the model form is not invariant across the two groups (SPE-GEN and GEN-SPE). Hypothesis 1b is supported

To test hypothesis 2a, we computed the correlation of the expectation items with the performance perception items, and compared these correlations for the two groups (E-P (forms 1 and 3) and P-E (forms 2 and 4)). There was no significant difference between the correlations of the two groups (E-P: $r=.16$, P-E: $r=.09$, Fisher's $Z=.80$, $p=.21$). Hypothesis 2a is not supported. To test hypothesis 2b, we computed the SERVQUAL score and compared this score across groups P-E and E-P. Because expectations are generally higher than performance perceptions, the SERVQUAL score is usually negative. Hypothesis 2b predicts that the difference between expectations and performance perception items will be greater when the expectations items are asked before the performance perceptions items (E-P), and consequently, that the SERVQUAL score will be lower (more negative). There was a significant difference in the value of the SERVQUAL scores across the E-P and P-E groups, but it was opposite from our prediction. The E-P group had a higher (less negative) value than the P-E group (E-P: Mean=-14.17, P-E: Mean=-20.39, $t=2.73$, $p<.01$). Therefore, hypothesis 2b is not supported. To test hypothesis 2c, whether the form of a measurement model for the factor structure of SERVQUAL ([Figure 2](#)) is invariant across two groups of data, two multigroup confirmatory factor analyses (using covariance matrices) were performed for the two groups of data (E-P and P-E). If the form of the measurement model in [Figure 2](#) is not invariant across groups, the factor structure of SERVQUAL, may vary depending on the order that the expectations and performance perceptions questions are asked. In [Table 5](#), the results of the Lisrel multigroup analysis between the two groups of data (E-P and P-E) for both the SPE-GEN and GEN-SPE formats indicate that the model form is not invariant across the two groups (E-P and P-E). Hypothesis 2c is supported.

DISCUSSION

Since our results indicated that the order of presentation for specific SERVQUAL items (SPE) and overall service quality items (GEN) affects the fit of data to a structural model specifying a relationship between perceived service quality and overall quality, we recommend that researchers note the effects that question order may have on model fit when comparing the results of service quality research. Furthermore, our multigroup analyses of SERVQUAL's factor structure indicated that SERVQUAL's factor structure varies with the order of presentation for expectations and performance perceptions items. Asking respondents for their expectations, then their performance perceptions (E-P) resulted in less difference between expectations and performance and higher SERVQUAL scores. The managerial implication of our results for practitioners who are measuring and tracking service quality results in their businesses is the importance of making sure that service quality data collection instruments are standardized with respect to question order when comparing and tracking service quality results.

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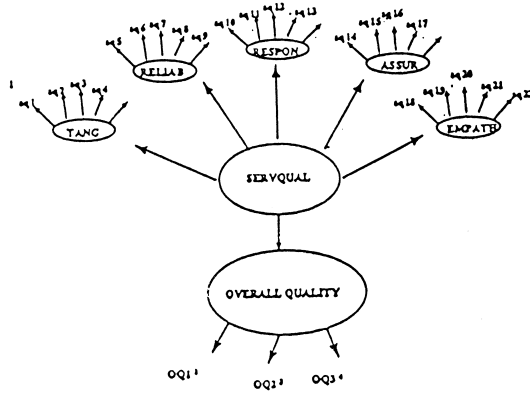


Figure 1: Structural Model For Hypothesis 1

¹ SERVQUAL Items 1 -22 ²Overall Quality Item #2
³ Overall Quality Item #1 ⁴Overall Quality Item #3

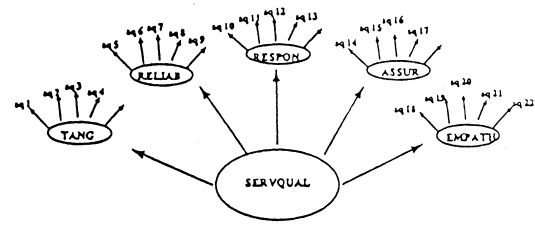


Figure 2: Measurement Model For Hypothesis 2

¹ SERVQUAL Items 1 -22

TABLE 1: QUESTION ORDER		TABLE 2: COMPARISON OF QUESTION ORDER SAMPLES				TABLE 3: QUALITY SCALE STATISTICS	
Form 1	E - P - OQ ¹		CHI-SQUARE			Coefficient Alpha	0.8718
Form 2	P - E - OQ	FORM	AGE	GENDER	COURSE	Factor Loadings	
Form 3	OQ - E - P	EP-PE & PE-EP	5.041	0.060	1.041	Item 1	0.9395
Form 4	OQ - P - E	p-value	0.410	0.806	0.308	Item 2	0.9287
¹ Expectations; Performance Perceptions		SPE-GEN & GEN-SPE	48.97	1.775	158.176	Item 3	0.8248
¹ Overall Quality		p-value	0.000	0.183	0.000	(One Factor)	
TABLE 4: STRUCTURAL MODEL (FIG. 1) FIT STATISTICS				TABLE 5: MEASUREMENT MODEL (FIG. 2) FIT STATISTICS			
	Chi-Square (538 df)	p-value	GFI		Chi-Square (408 df)	p-value	GFI
Invariance across: SPE-GEN & GEN-SPE Groups				Invariance across: EP & PE Groups			
EP Form	3041.06	0.000	0.7210	SPE-GEN Form	1226.29	0.000	0.7686
(SPE-GEN: n=154; GEN-SPE: n=140)				(E-P: n=154; P-E: n=150)			
P-E Form	3501.22	0.000	0.6832	GEN-SPE Form	2038.45	0.000	0.6933
(SPE-GEN: n=150; GEN-SPE: n=141)				(P-E: n=140; P-E: n=141)			

THEORY DEVELOPMENT IN SERVICES MARKETING: TRANSCENDING SERVICE SPECIFICITY

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ABSTRACT

One limitation inherent in most services research is that it is service specific. This is due to the lack of a scientific classification scheme for services, from which generalizations resulting from empirical studies allow for the formation of theoretical principles and paradigms. This article discusses the importance of a classification to theory development, identifies the requirements for a valid classification, and presents suggestions for future research.

INTRODUCTION

Research in the area of services marketing has gained momentum over the past decade. Much of the early research in services was conceptual in nature, focusing primarily on identifying those characteristics that differentiated services from products. The services literature has evolved from these conceptual works to more empirical studies aimed at developing general concepts or paradigms. The primary limitation inherent in most of the services literature, however, is that it is service specific, focusing primarily on financial, health or legal services. This limitation is the result of the lack of a scientific classification scheme from which empirical generalizations can lead to the formation of theoretical principles and paradigms for the services area as a whole. Many scholars have recognized this problem and stated that studies that transcend service specificity should be a research priority (Zeithaml, et al 1985; Fisk, et al 1993). It can be argued that much of the extant literature on services can be classified as normative or applied, focusing on how managers should address the problems and issues involved in operating a service organization. For the vast majority of these normative studies, service specificity is not a serious limitation. Service specificity is, however, the critical roadblock for theoretical research, focusing on the development of theories, paradigms and laws aimed at providing understanding of the phenomenon of services.

The services literature can be classified into three main groups, the first being service specific studies. This implies the empirical application was limited to only one type of service provider (e.g., Darden, et al 1981; Suprenant and Solomon 1987; Bolton and Drew 1991; Oliva, Oliver and MacMillan 1992; Richard and Allaway 1993; Friedman and Smith 1993; Taylor 1994). For example, Suprenant and Solomon (1987) examined the effectiveness of personalization strategies in the context of bank services, while Bolton and Drew (1991) developed a theoretical model of the effect of service changes on customer attitude using telephone services. The primary limitation of service specific studies such as these is their lack of external validity. The results of these service specific studies cannot be generalized beyond the experimental context of the study since the population of services, or a subset of the population, to which the results could be generalized is not currently known.

There have been studies that attempted to clear the hurdle of service specificity by using two or more different service types in the empirical analysis. One type of study uses a generic concept of service, generally by pooling different service types, and focuses on the more global definition of service. The major goal of these types of studies has been to empirically test for differences in consumer response between product and service purchases. Examples of the types of hypotheses tested using a generic concept of service include "Services purchases contain more performance risk than product purchases." The primary limitation of using a generic concept of service is that pooling different service types can result in the lack of internal validity, since incorrect inferences can be drawn if the pooled services were essentially heterogeneous on the dimension or aspect under study. Thus, these types of studies are used almost exclusively to test for differences between products and services (e.g., Hill, Garner and Hanna 1989, Hale and Saunders 1997).

The final group of studies involves those that use two or more service types in the empirical application and make direct comparisons of the results (Freiden and Goldsmith 1989; Bitner Booms and Tetreault 1990; Cronin and Taylor 1992; Turley and LeBlanc 1993; Murray 1991). For example, researchers might test the impact of waiting time on banking, health and travel services satisfaction and make direct comparisons across the three service types. Comparisons across service types, however, presents a

problem due to the lack of a theoretical basis from which generalizations concerning the similarities or differences between service types can be drawn.

The validity problems with the three types of studies demonstrate that service specificity, and the existing methods used to overcome the limitations inherent with service specificity are the critical roadblock for theoretical research in the services area. Achieving the objective of developing theories, paradigms and laws aimed at providing understanding of services requires confronting the problem of service specificity. More specifically, researchers in the domain of services must overcome the lack of a stable, identifiable, quantifiable classification scheme of service providers, so that studies involving a single service will have some degree of external validity.

Classification problems are not new within the marketing domain. Researchers in the product area have also faced the obstacle of developing classification scheme(s) required for the accumulation of comprehensive theories (e.g. Moncrief 1984; Venkatesh 1985). Even some of the most widely accepted classifications, such as the commodity school's classification of products (e.g. Copeland 1923) have unresolved issues concerning the relationship between classification dimensions and the underlying theory, as well as the extent of generalizability. These product classifications, however, have been the focus of research and refinement over the years, and have enabled a rich body of marketing theory to develop because they allowed for empirical generalizations which in turn led to the formation of theoretical principals and paradigms. The same cannot be said for the services domain, since no generally accepted classification scheme has yet been proposed. While the literature provides extensive evidence concerning the dimensions on which services differ from products, what has not been addressed are the dimensions or characteristics that differentiate services from each other. Without such a classification system, scientific inquiry in the development of a comprehensive body of theory for services will not be able to progress.

THE IMPORTANCE OF A CLASSIFICATION OF SERVICES

To gain understanding of the importance of taxonomy and classification to theory development, one must consider the goal of science and the scientific process. The process by which a systematic attainment of knowledge occurs is generally referred to as scientific theorizing, wherein generalizations and conclusions are drawn about a phenomenon based on experiments or outcomes using only a subset of the population within the phenomenon. Services marketing, like other disciplines in the behavioral/social sciences can be categorized as a probabilistic science - i.e., relying to some extent on human behavior, thought or action. The difference between the exact and probabilistic sciences is most apparent in the methodology employed in knowledge attainment. The exact sciences rely heavily on deduction or pseudo-deduction since, in most disciplines, universal laws are known or knowable and the scientific a priori method, reason which proceeds with the natural order (from universal to specific) is most applicable (Oldroyd 1986). Within the probabilistic sciences, however, the universals are not, and may never be known. Without the existence of universal truths, these sciences must work a posteriori, against the natural order (from specific to universal) in order to generate truths. In other words, these sciences rely to a much greater extent on the inductive process in order to generate hypotheses, concepts, constructs and theory. This methodological framework, termed the "arch of knowledge" by Oldroyd (1986), contains both an upward and downward path. The upward, or inductive path starts with data collection, hypothesis testing, and generalizations based on the outcomes, and terminates with general concepts of principles. The downward, or pseudo-deductive path starts with these general principles and terminates in laws, theorems or predictions. The key to this framework lies in the generalizations of the findings of the experiment or analysis to the entire class from which the subset used in the empirical application was drawn.

To be useful, from a theoretical perspective, the outcomes or findings from empirical studies must provide insight into the formation of uniform generalized principles. The term "uniform" is included because the principles gained from observation of the individual must be applicable to either the entire phenomenon, or to a specific subclass of the phenomenon. Hempel (1965) terms this concept of uniform generalized principles as "scientific import", since it represents the overall contribution of the principles to the domain under investigation. This is the critical missing link that thwarts significant advances in scientific inquiry in services marketing. Researchers in services rely upon the methodological framework described above, however a natural classification scheme for services does not yet exist. This results in conclusions drawn from these studies having little scientific

import because they can not be generalized. For example, a study on the formation of quality expectations for legal services may provide empirical support for the hypothesis that consumers possess a price-quality schema that has a significant, positive influence on pre-purchase expectations. Such evidence, however, has little scientific import because the finding cannot be generalized to other service types or even to all legal services.

Natural vs. Artificial Classifications

The philosophy of science literature indicates there are two basic types of classifications - natural and artificial. Artificial classifications are so termed because they are generally defined by a single characteristic that may, or may not, have any relation to other characteristic properties of the phenomenon under study. For example, classifying products according to weight, or classifying services according to the degree of intangibility would both be termed artificial, since it is not known whether these characteristics have any explanatory connection with other characteristics of products or services. This is not to say that artificial classifications have no value. They can provide insights into numerous non-scientific endeavors, such as marketing strategy formulation and evaluation. From a scientific viewpoint, however, a classification must be natural, meaning that the characteristics which serve as the criteria for membership are "...associated, universally or with high probability, with more or less extensive clusters of other characteristics...and can be viewed as having objective existence in nature" (Hempel, 1965). Thus the commodity school's product classification is generally referred to as a natural classification because the criteria for membership such as purchase frequency, risk, involvement, etc., are associated with a high degree of probability.

There are six basic properties that a classification must possess in order to be termed a natural classification: (1) The classification must be collectively exhaustive. Each and every object within the domain of the phenomenon can be classified. (2) The subclasses within the classification must be mutually exclusive. Each object must be included in one and only one of the subclasses within the classification, with no overlap allowed. (3) The classification must exhibit heterogeneity between subclasses and homogeneity within subclasses. (4) Each subclass must have objective criteria that define the necessary and sufficient conditions for membership within that subclass. The term objective implies that the terms used to define the characteristics have a definite, specified and universally accepted and recognized meaning. (5) The necessary and sufficient conditions for membership in a subclass must lend themselves to generalization and prediction. In other words, with a natural classification, the criteria for membership represent more than just a basis for allocation of objects. (6) The classification must be temporally stable. The characteristics that define the classification, as well as the explanatory connections or relationships between the characteristics should not change over time. The natural classification, therefore, provides the conceptual framework by which broad theories and generalizations are connected within the domain of the phenomenon under investigation.

Proposed Service Classifications

The earliest of the proposed classifications involved categorizing services as either public, private or non-profit. Since this initial categorization, numerous other classification schemes have been proposed in the literature. Some of the dimensions on which these categorizations were based include rented goods vs. owned goods vs. non-good services (Judd 1964), services affecting persons vs. those affecting goods (Hill 1977), the extent of customer contact required in the service delivery (Chase 1978). The vast majority of these classifications are based upon the dimensions that differentiate services from products, i.e., intangibility, inseparability, heterogeneity and perishability. All of these classifications do provide strategic insight, as discussed by Lovelock and others (e.g., Lovelock 1983). At the present time, however, all would be classified as artificial classifications since all violate one or more of the properties of natural classifications.

The most often violated property is that of mutual exclusivity. Unlike the majority of products, services are heavily influenced by two types of variability. Time-to-time variability implies that for any one customer, the type of service desired from a specific service provider at time period t may or may not be the same type of service desired from that same service provider at time period $t+n$. Person-to-person variability implies that the type of service desired from a specific service firm by customer A may or may not be the same type of service desired from that same service firm by customer B. The problem of non-exclusivity is found in most every type of service because the characteristics defining the individual service encounters vary from purchase to

purchase. For example, one might visit a bank on Monday to apply for a car loan and on Tuesday, visit the same bank in order to use the automatic teller machine. Both would be considered purchases of financial services, yet the situational characteristics defining each purchase are quite different. Such is not the case with the traditional product classifications, where time-to-time and person-to-person variation are virtually non-existent. This does not imply that contextual factors do not influence consumer choice, merely that purchase context does not influence categorization of products according to the consumer/shopping/specialty good scheme. Thus, the purchase of laundry detergent has no person-to-person variation since the overwhelming majority of consumers make the purchase of laundry detergent to clean clothing, and this usage motivation does not change between purchase occasions. Compare this situation to that of the provider of legal services. Consumers have a vast array of usage motivations from simple matters that can be highly standardized with little participation from the consumer, such as preparing or reviewing legal documents, to the complex highly customized services involving extensive customer participation, such as criminal trial or child-custody case. Thus a major problem with the existing classification schemes is that services are situation dependent with respect to subclass membership.

The proposed service classifications also violate the fourth property of natural classifications, in that their characteristics are not objectively defined. What exactly is meant by consumer participation in service production and delivery, and how do we operationalize the degree of customer contact? Is consumer participation defined as simply the presence of the consumer within the service facility, such as a customer in a beauty salon, or must the customer be actively involved in the production and/or consumption of the service, such as a customer's use of an automated teller machine. Depending upon the subjective interpretation of the classification criteria, different researchers might categorize the same service type into different subclasses. Like non-exclusivity, the lack of objectively defined classification criteria is due to some extent to services being situation dependent. Because the level and type of service vary depending upon the situation, development of truly objective concepts and principles to serve as classification criteria is extremely difficult.

Finally most of the classifications probably violate the fifth property of natural classifications. The qualifier "probably" was included since, to date, there have not been any studies to determine whether or not any of the membership criteria lend themselves to generalization and prediction. This is a major omission in the services literature since deriving the classification is undoubtedly the single most important step in establishment of general laws or theories by which services can be understood explained and predicted.

Developing a Natural Classification of Services

It has been mentioned several times that the existing classifications are based primarily on those characteristics that differentiated services from products. There has been little investigation into the characteristics that differentiate services from each other. Despite the wealth of possible dimensions on which to construct a natural classification, it is still unknown what differentiates services from each other and how those differences impact consumer behavior.

Like science itself, however, the development of a natural classification is an evolutionary process. The importance of this evolution to services researchers is that we don't have to develop the ideal, true classification right from the start. Instead, we can utilize the information contained in the classifications proposed in the extant literature as the point of departure in construction of a natural taxonomy of services. There is one important point to make, however. We have been trying to classify service firms, in much the same way that we have classified products. We need to rethink our approach to service classifications. Rather than trying to classify service firms (i.e., beauty salons, hotels, car rental agencies, health services, etc.), we should concentrate our efforts into identifying the determinant dimensions of services. In other words identifying those dimensions or characteristics that consumers recognize as making one type of service purchase different from other types of service purchases. This implies classification of individual service offerings, rather than service firms. For example, banking services may have little in common with the services offered by your neighborhood gasoline filling station. However, the service provided by automated teller machines probably has much more in common with self-service gasoline stations than it does with the more full service functions such as loan applications. Thus we need to change our focus towards classifying service purchase contexts, rather than universal service classifications (i.e.,

classifications based on service SIC codes). Using purchase context as the basis for a natural classification of services will eventually allow for greater breadth and rigor in services research.

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CUSTOMER SATISFACTION, ASSESSMENT, INTENTIONS AND OUTCOME BEHAVIORS OF DYADIC SERVICE ENCOUNTERS: A CONCEPTUAL MODEL

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ABSTRACT

Customer satisfaction is rated among the top goals of most organizations today. Yet, whilst it is acknowledged that customer satisfaction is important, and more and more firms are understanding the importance of building and maintaining good customer-service provider relationships in order to achieve a high level of customer satisfaction, many firms do not understand how customers arrive at outcomes, nor the interrelationships between the variables which influence these outcomes. This paper presents an integrated conceptual model, showing the interrelationships between these importance variables in a dyadic service encounter setting. In building this model, the paper draws from a range of concepts and models, principally from consumer behavior, services marketing and social psychology.

INTRODUCTION

Customer satisfaction is among the top goals of most organizations (McColl-Kennedy and White 1977). In today's highly competitive environment, dissatisfied customers do not tend to continue to do business with the organization. Rather, they break off their interactions with the organization and often do considerable damage, both directly and indirectly, to the organization in the process. This damage may be loss of direct business or it may mean loss of business due to negative word of mouth passed on to others, including potential customers. On the other hand, there are clear benefits associated with keeping existing customers. These customers can be a source of referral, promotion (through positive word of mouth) and, potentially, they can be turned into higher users of the service. Furthermore, retaining existing customers is generally considered less costly than obtaining new customers, and so most organizations strive to keep their existing customers (Frankenberger and Friestad 1996).

Retaining and building up relationships with customers is particularly important with service organizations due to the service product being intangible, perishable, inseparable and heterogeneous (Shostack 1977; Singhapakdi et al 1996). Maintaining a high level of relationship quality is particularly important in services (Czepiel 1990; Singhapakdi et al. 1996; Bitner et al. 1994). The quality of the relationship is measured by customers in many ways, but typically, being able to trust the service provider to deliver as promised is an essential element. Indeed, Weun and Trocchia (1996) contend that trust is a key component in customer's perceptions of what constitutes a quality relationship. Furthermore, honesty and integrity are important components (Swan et al. 1985; Hawes et al 1993). As such, ethics play an important role in the customer's assessment of the service experience (Singhapakdi et al. 1996).

Whilst an increasing number of firms understand the importance of building and maintaining good customer - service provider relationships in order to achieve a high level of customer satisfaction, (Bitner et al. 1994) many firms do not understand the various factors which influence outcomes, nor the interrelationships between the important variables of script, attitude, service provider-customer interaction, assessment of service, emotions, attributions, revised attitudes, intentions, recovery measures and outcomes. In order to keep existing customers it is important to first identify potentially dissatisfying customer experiences, seek to understand what lead up to this dissatisfying experience, and then to take actions which will prevent the potentially dissatisfying experience occurring again. Furthermore, if a dissatisfying experience has occurred it is vital that steps are taken to recover the problem in order to retain the customer and to prevent negative consequences to the organization. The growing literature on service recovery highlights the importance of the manner in which the dissatisfying experience is handled as this impacts on satisfaction (Sparks and McColl-Kennedy 1998).

Indeed, many firms do not fully appreciate the dyadic nature of the service relationship and the respective input of both the customer and the service provider in these important interactions. Services (particularly professional services) are very different to one off interactions relating to a physical product. In these circumstances assessments, attributions, emotions, intentions tend

to be made at a distance and directed at the organization as a whole not at any individual provider. Clearly, more research is required in order to understand: (a) how customers make evaluations of service encounters; (b) the nature of the attributions (positive/negative) customers make about the service provider and the organization; © the intentions of the customers; and (d) likely outcomes which have resulted from the interactions with the service provider.

This paper proposes a conceptual model of customer satisfaction which highlights the dyadic nature of customer-service provider interactions in the delivery of professional services, taking into account the scripts and attitudes customers and service providers bring to the service interactions and the ensuing evaluations of the service, emotions, attributions, intentions and behavioral outcomes. As such, the paper seeks to bring together a range of concepts from models in consumer behavior, services marketing and psychology literature (principally Ajzen and Fishbein 1980; Barnes, Jacobs and Hadjimarcou 1996; Bitner et al.; Hartel et al. 1998; Weiner 1985,1986; and Zeithaml 1981), with the view to a fuller understanding of the key variables which influence consumer satisfaction in service settings.

CONCEPTUAL FRAMEWORK

Need for a Comprehensive Model Focusing on Dyadic Relationship

Whilst customer satisfaction has been studied extensively and several concepts and models put forward, only limited attention has been given to the dyadic nature of the relationship of many services (particularly professional services). Barnes et al. (1996) also note this lack of attention and present a conceptual framework for considering attribution, affect and outcomes in a dyadic service encounter setting. Their model thus forms the core of the conceptual model put forward in this paper.

In essence, Barnes et al. (1996) present a conceptual model which takes account of the actions and words of both the customer and the service provider in the service encounter. The Barnes et al. model builds on the work of Bitner (1990); Folkes et al. (1987); and Oliver and DeSarbo (1988), which suggests that the causal attributions made by the customer to the service provider mediate the customer's affective reaction to the treatment they have received by the service provider (Barnes et al. 1996). Further, this research suggests that attribution goes before affect. Barnes et al. (1996) thus conclude that a customer's words and actions, which take place during the service interactions, contribute to the customer's attribution which triggers affective reactions to both their actions and subsequent outcome behaviors.

The Conceptual Model: Overview

Figure 1 outlines the conceptual model proposed in this paper. In brief, the model attempts to incorporate the dyadic nature of service interactions between the customer and the service provider and tracks these interactions from just prior to the first encounter with the service provider through to the last encounter.

Script

Essentially, the model suggests that clients and service providers both come to an encounter with a script (Bitner et al. 1994). That is, they each have expectations of how each should behave, that is, what is acceptable and unacceptable actions, reactions and outcomes from the encounter. For example, customers of professionals expect the professional to behave in a certain manner, to dress in a particular way, to provide information, to deal honestly with them and so on. Similarly, service providers, expect their clients to behave in a certain way. For instance, they may well expect their clients to fully disclose information about their financial situation, their medical background or the like, in order for them to make an appropriate assessment of the client's situation.

Attitudes Not only does each party come with expectations, they also come with attitudes about the service, and of each other. For instance, a customer may come to the encounter with the attitude that this service provider will be able to solve the

problem entirely, no matter what. Alternatively, a customer may come with the attitude that this is going to be a waste of time and a whole lot of unnecessary expense.

Service Provider-Customer Interactions and Assessment

Next, it is expected that there will be a number of interactions between the customer and the service provider. Here, the customer weighs up their expectations of the service with what they perceive they are receiving from the service provider and come to an assessment of the service. Zeithaml et al.'s (1993) notion of "zone of tolerance", originally developed as a service quality concept, may be appropriate here. That is, it is expected that the customer could consider a range of assessed outcomes under the category of "satisfactory" and similarly, a range which they would consider to be "dissatisfactory". In this assessment phase each party (customer and service provider) uses their script (with their respective expectations of the other party and the service) to make their respective assessments.

Emotions

In the assessment process, a number of emotions and attributions may emerge. Although Barnes et al. (1996) note the importance of emotions in their paper, they do not include it as a separate variable in their model. Nevertheless, they see emotions as having a key role in the interactions and subsequent attributions, attitudes and actions of the customers. For instance, Barnes et al. (1996, p. 552) claim that "attributions made to the service provider in both positive and negative encounters seemed to fuel these often very intense emotive reactions." In general, they found that dissatisfying encounters seemed to trigger stronger affective reactions rather than satisfying ones.

Weun and Trocchia (1996) in their study of the relationship between relationship quality and attribution in service failure (marriage setting), also highlight the importance of emotions. But, they too, do not specifically include it in their model. Rather, they limit their model to the interactions between relationship quality (exogenous variable) and customer attribution, expectation of service recovery and word-of-mouth. Yet, Weun and Trocchia (1996), drawing on the work of Bradbury and Fincham (1990), discuss emotions and their effect on attribution in that they claim that happy couples are more likely to make "relationship-enhancing" attributions, whilst unhappy couples are more likely to make "distress-maintaining" attributions. For instance, with a happy couple, the following attribution is likely: "He brought me my coffee because he is a considerate person," and with an unhappy couple, "He only brought me flowers because all his friends were buying gifts for their wives" (Weun and Trocchia 1996, 226). Furthermore, Weun and Trocchia (1996) found a positive relationship between the customer's perceived relationship quality and his or her likelihood of generating relationship enhancing attributions towards the service provider.

Attribution

Attribution theory has been used extensively in psychology to help understand how explanations are reached about behavior and the consequences (behavioral outcomes) of these explanations (Booth Davies 1992). Weiner's theory in particular has been extensively used. In simple terms, the theory suggests that attributional judgements generate emotions and attitudes towards a target, and that these feelings and attitudes then direct behaviors (Weiner 1995). Hartel et al. (1998) provide a helpful critique of attribution theory and then go on to present a model which highlights the importance of emotions in understanding attitude and the attitude-behavior relationship in an organizational mishap setting. Specifically, they argue that there is a reciprocal relationship between emotion and attribution, such that emotions associated with an organizational mishap influence attributions and vice versa. This seems acceptable in such a "one off" organizational mishap setting where there is a significant psychological distance between the customer and the organization, and where interactions are likely to be infrequent or non existent. However, the model presented in this paper supports a one way interaction between emotions and attribution given the interactive nature of service settings (also supported by Weun and Trocchia 1996).

Intentions

As a result of the attribution process and the revision of attitudes, attribution theory suggests that behavioural outcomes follow (Wuen and Trocchia 1996; Barnes et al 1996; Hartel et al. 1998). Yet, it is possible that, either through a complaint by the customer or through the service provider taking the initiative and enquiring as to whether the customer is happy with the service (customer service evaluation), that intentions will be influenced (Sparks and McColl-Kennedy 1998). For instance, through this intervention (recovery measures) intentions may be altered such that the customer may now continue with the service provider (assessed as satisfactory overall) or discontinue with the service provider (assessed as dissatisfactory overall).

Service Provider- Customer Interactions: Recovery Measures

Both Wuen and Trocchia (1996) and Hartel et al. (1998) suggest that emotions can then be moderated by, respectively, the service provider's/ organization's actions. In a services setting this suggests that the service provider can moderate the emotions of the customer through attempts at service recovery. In the current paper it is proposed that the link between intentions and outcomes is moderated by service provider-customer interactions (that is, service recovery attempts). This is consistent with the work of Sparks and McColl-Kennedy (1998) (drawing on the theories of procedural and distributive justice) who show that the manner in which the service provider responds to the service failure is important. Specifically, Sparks and McColl-Kennedy show that the offer of compensation, together with an apology, and an appropriate level of compensation, is important to recover a dissatisfying service encounter.

Intentions-Outcomes

Customer satisfaction/ dissatisfaction is considered a key determinant of future intentions (Yi 1990), including engaging in favourable/unfavourable word of mouth, intent to return, repeat purchase and referral. The current model suggests that customer intentions may result directly in outcomes (in the event that there is no intervention through either the customer making a complaint or through the service provider taking the initiative to establish how satisfied the customer is the service) or be moderated by service-provider-customer interactions (recovery measures). Similarly, the model suggests that service providers' intentions may result in outcomes directly or be moderated by service-provider interactions. Possible outcomes include: (1) no change (carry on as before in terms of the way the service was delivered), (2) modify service delivery or (3) modify interactions with customers in order to achieve a higher level of customer satisfaction.

CONCLUSION

In summary, this paper has argued for a comprehensive integrated model which incorporates both the service provider and the customer from script (pre encounter phase) through to final outcomes of the interactions. Whilst work to date has considered various aspects of the variables contained in this model in various combinations, the model presented in this paper attempts to integrate these concepts into a meaningful framework in order to help us understand the process whereby customer and service providers reach outcome behaviors as a result of dyadic service encounters. As such, the paper makes a significant contribution in that it: (1) integrates into a comprehensive model several key variables; (2) focuses on the dynamic and dyadic nature of service provider-customer interactions and the important role of scripts in service interactions; and (3) highlights the importance of attempts at service recovery by either the customer (through a complaint) and/or the service provider.

Need for Further Research

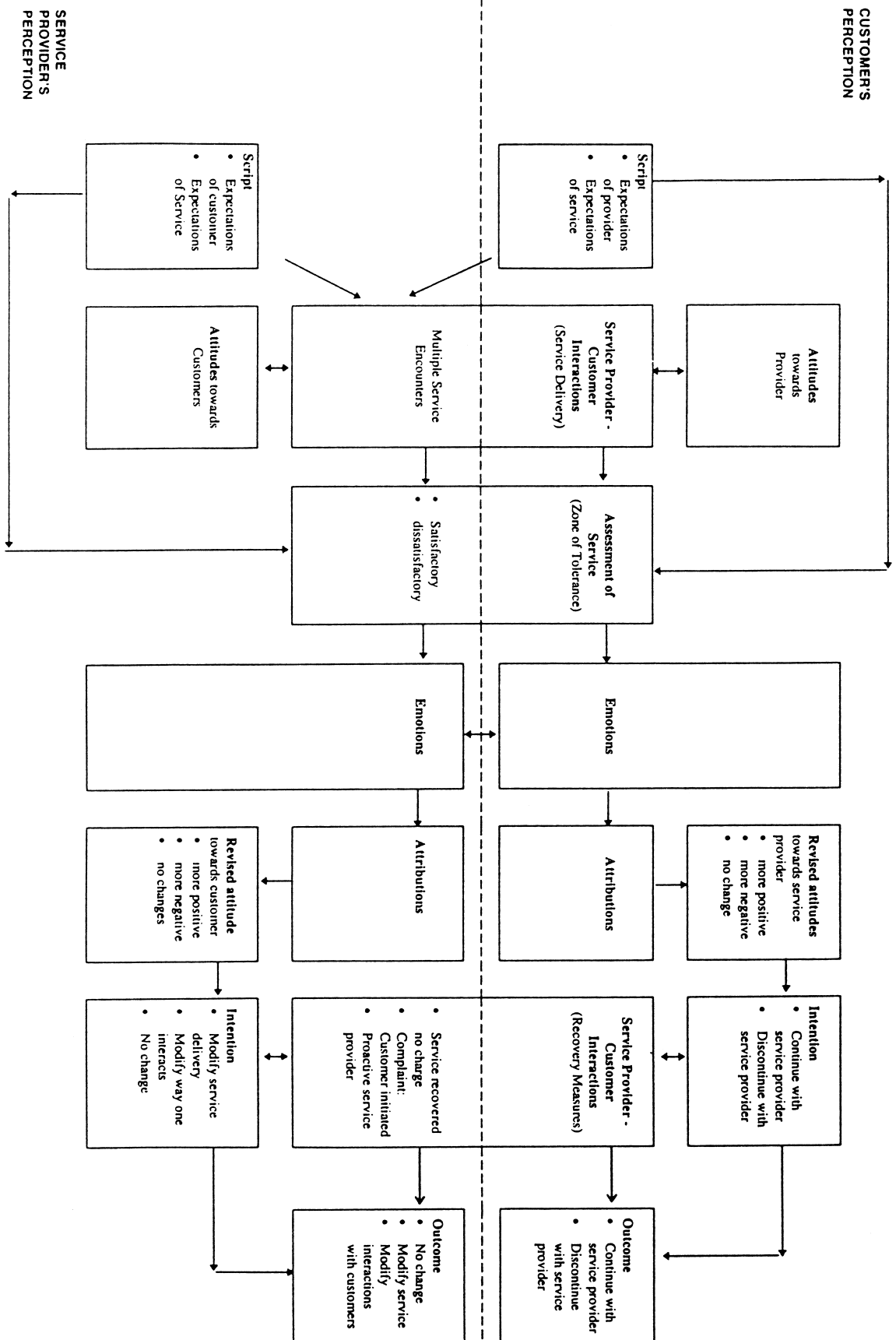
As this is a conceptual paper with no empirical data, there is a need for work to be undertaken which operationalizes this model.

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Figure 1 - Conceptual Model



EMPLOYERS' AND STUDENTS' PERCEPTIONS OF SERVICE QUALITY: POTENTIAL PROBLEMS FOR MARKETING EDUCATORS

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INTRODUCTION

Reforms in the education sector have been taking place in a number of countries since early 1970s (Ginsberg et al 1991 and Lawson 1992). The reform of the education sector in New Zealand started with the focus of achieving efficiency and increasing competition. In order to compete, educational institutions need to differentiate themselves from competitors. But what makes one service provider stand out in the mind of the consumer over the others providing similar services? Berry and Parasuraman (1992) argue that the success of an organization depends on the ability of the service provider to consistently meet or exceed customers expectations. Thus the measurement of customer perception of service quality becomes critical.

When employers and students evaluate the quality of the service they receive from an educational institution they use different criteria which are likely to differ in importance, usually some being more important than others. The instrument used for this study was based in the Importance/Performance paradigm developed by Martilla and James in 1977. This technique has been successfully used by other researchers and one of its attractive features is that the mean importance and performance results can be graphically illustrated on a two dimensional grid. Very limited research has been carried out in New Zealand to study the perceived quality of the services provided by tertiary institutions. The objective of this study is to measure service quality in education from the students' and the employers' perspective.

METHODOLOGY

The data for this study was collected in two stages. Stage one involved conducting a series of in-depth and focus group interviews with employers and students. Based on the information obtained from the interviews two separate questionnaires were developed and mailed out to a random sample of 280 employers and 1000 business students. Of the 280 employers surveyed for this study, 144 usable questionnaires were returned (51%). Factor analysis showed that a four factor solution was adequate to represent the data. The four factors identified are **Personal Attributes, Well Rounded Graduate, Interpersonal Skills and Reputable Institution/Program**. This illustrates the fact that employers evaluate the quality of education from two perspectives: the institution itself and its graduates.. Looking at the importance means for each category, employers consider **Personal Attributes** as the most important element and **Reputable Institution/Program** as the least important. The Importance-Performance Grid shows that educational institutions need to improve their employer-perceived service quality. The performances of all categories fall in the "**concentrate here**" quadrant which indicates that employers' needs are not being satisfied. Of the 1000 students surveyed, 616 usable questionnaires were returned giving a response rate of 61%. Factor analysis suggested that a seven factor solution may be adequate to represent the data (**Program Issues, Academic Reputation, Career Opportunities, Location, Time and Other**). The majority of the respondents (67%) indicated that they were satisfied with their overall educational experience. The Importance/Performance Grid gives support to the above as the majority of the categories fall into the "**keep up the good work**" quadrant.

CONCLUSIONS

The results of this study show that educational institutions are putting most of their efforts in satisfying the needs of students and overlooking the needs of employers. It is imperative for educational administrators to understand that employers and students have different priorities and every effort should be made to satisfy both their needs.

REFERENCES AVAILABLE ON REQUEST

MANAGING ACADEMIC MISCONDUCT IN THE CLASSROOM: A DISCRIMINANT ANALYSIS OF SUBJECT AND SITUATIONAL DIFFERENCES BETWEEN CHEATERS AND NON CHEATERS

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ABSTRACT

This paper supports earlier findings that subject variables such as gender, GPA, and neutralizing attitude are significantly related to incidence of cheating among marketing students. Results indicate that in addition to having cheating deterrents in place, it is also essential to change current attitudes of students towards cheating.

INTRODUCTION

Academic misconduct in higher education has received considerable attention in the last decade or so. One reason for this has been the increasing number of college students who have admitted to cheating. In many studies of cheating among college students that have been reported, estimates of the number of students who cheat have ranged from 30% to as high as 96% (Sims 1993). Because of its frequency and its interference with conventional learning and evaluation process, cheating is considered a serious problem

The purpose of this study is threefold. First, the study attempts to re-validate some of the findings of past empirical research, specifically as they relate to marketing students. The differences between selected subject and situational variables among students who cheat and the students who do not will be the focus of this study. Second, an attempt is made to use these variables (subject and situational) as predictors in developing a discriminant function between students who cheat and the students who do not. Third, based on the findings, recommendations are made to control academic misconduct, as it relates to cheating among marketing students.

PAST RESEARCH AND DEVELOPMENT OF THE HYPOTHESES

Cheating is defined as "a fraudulent behavior involving some form of deception whereby one's work or the works of others is misrepresented" (Prescott 1989, p.285). Wrongfully taking the information of others is synonymous with plagiarism, fraudulence, dishonesty, and academic misconduct (Singhal and Johnson 1983). To date, literature on college cheating can generally be categorized into two research areas. They are: (1) studies that attempt to identify subject variables that may be significantly related to cheating (Haines, et al. 1986), and (2) research that examines the situational variables that may prompt a student to cheat or not (Houston 1986b).

Subject Variables and Incidence of Cheating

Most of the previous research which has focused on subject variables and cheating have included a variety of demographic variables as well as attitudinal variables. Gender is one demographic variable that has been studied frequently in relation to cheating, with mixed results. Most studies have found males to report more cheating than females (Calabrese and Cochran 1990). However, other studies have found no significant difference between the incidence of cheating behavior based on gender (Haines et al. 1986; Calabrese and Cochran 1990).

In general, the more successful a student is academically, the less likely that he/she would cheat. Academic cheating is apparently motivated by a desire to raise grades over what they would have been otherwise. Haines, et al. (1986) found that grade-point-average (GPA) correlated negatively with the extent of reported cheating. Roig and Neaman (1994) found that students with lower GPAs were more likely to cheat than those with higher GPAs. This leads to the following two hypotheses.

H1: *Incidence of cheating will be higher for males than for females.*

H2: *Incidence of cheating will be higher for students with low GPAs than students with high GPAs.*

Neutralizing attitude is thought of as the rationalization individuals use before, during, or after any dishonest behavior to deflect the disapproval of others and self (Sykes and Matza 1957). For example, a typical neutralizing excuse for cheating would be, "those around me are cheating; therefore, it is fair for me to cheat in order to compete effectively" (Haines, et al. 1986, p. 351). In previous studies, neutralization has been found to be a common technique used by students to reduce the internal moral conflict associated with academic misconduct (Haines, et al. 1986). These studies have found students who engage in cheating to neutralize their dishonest behavior more often. This leads to the third hypothesis.

H3: *Incidence of cheating will be higher for students with high levels of neutralizing attitude than for students with lower levels of neutralizing attitude.*

Situational Variables and Incidence of Cheating

Cheating is most common under certain situations. Studies have found in-class cheating deterrents such as uncrowded exam rooms and assigned seating (Houston 1986a), stern warnings and high penalties for cheating (McCabe and Trevino 1993) to significantly reduce the rate of cheating. Therefore, students are more prone to cheat when the risk of detection is low (Leming 1980). Also, when the magnitude of rewards relative to the severity of the punishment is high, students are once again prone to cheat (Heineke 1978). This leads to the next hypothesis.

H4: *Incidence of cheating will be higher when in-class deterrents are low compared to when in-class deterrents are high.*

Moderating Effects of Situational Variables

One plausible explanation for the conflicting findings of studies that have investigated the relationship between gender and the incidence of cheating is the possible interaction of a third variable, such as the situation. In other words, these conflicting findings may be the result of the differences in the situational variables (e.g., level of in-class deterrents that are present) moderating the relationship between gender and the incidence of cheating.

Second, even though cheating is apparently motivated by a desire to raise grades (e.g., GPA), it is accompanied by the situation, such as risk of detection and punishment. Therefore, it is likely that the relationship between GPA and the incidence of cheating is also moderated by situational variables such as in-class deterrents. Simply stated, when in-class cheating deterrents are high, only students with low GPAs are likely to cheat. Finally, the need to neutralize is dependent on whether an individual thinks that his/her action is dishonest. Low levels of in-class deterrents can send the wrong signal to students that the instructor does not appear to care whether one cheats or not. As such, even if one cheats under these circumstances, the need to rationalize the dishonest action as normal behavior is also low. High levels of in-class deterrents clearly convey that cheating is unacceptable and under these circumstances, the need to justify a dishonest action as normal will also be high. Therefore, it can be expected that in-class deterrents also moderate the relationship between neutralizing attitude incidence of cheating. This leads to the final hypothesis.

H5: *The relationship between gender, grade-point-average, and neutralizing attitude and incidence of cheating will be moderated by the level of in-class cheating deterrents that are present.*

METHOD

The data collected in this study were obtained as a part of a larger study investigating cheating behavior. The sample was a convenience sample consisting of 301 marketing students (56% male, 44% female) attending two AACSB accredited universities in the south. All students who were sampled were enrolled in marketing courses such as Principles of Marketing (46%), Advertising

(25%), International Marketing (9%), and Direct Response Marketing (6%). The surveys were administered in class and students were assured of confidentiality and anonymity.

Measures

A single question was used to measure the incidence of cheating. The question asked the students, "In general, how often have you cheated in exams while in college?" The responses varied from 1=Never, 2=Seldom, 3=Occasionally, 4=Often, and 5=Very Often. The presence or the absence of in-class cheating deterrents was measured using 12 deterrent items. The deterrents were adapted from past studies (Singhal and Johnson 1983), and were confirmed by feedback from several marketing professors regarding deterrents they used during exams. Once again, responses varied from 1=Never, 2=Seldom, 3=Occasionally, 4=Often, and 5=Very Often. The sum of the twelve items were averaged to form a composite score of in-class cheating deterrents. Neutralization was measured using 11 hypothetical statements used by Haines et al. (1986). The statements required the students to respond using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The scores of these 11 items were averaged together to form a composite neutralization measure. The measures employed to characterize the demographic variables in this study were simple. The measure used for age was the respondent's chronological age at the time of survey completion. All females were coded as 0 and all males were coded as 1. The students' reported GPA was employed to measure academic achievement.

RESULTS

To determine the subject and situational determinants that were different for students who cheat (SWC) and the students who did not cheat (SWDNC), a stepwise discriminant analysis using the Wilks test statistic was performed. To effect this analysis, the sample was randomly assigned into two groups. The first sample (analysis sample), consisting of 40% of the sample (121 observations), was used to test the hypotheses and develop the discriminant function for prediction purposes. The second sample (hold out sample), consisting of the balance 60% of the sample (180 observations), was used to test the predictive ability of the resultant discriminant function. In both samples, the students who had claimed that they had "never" cheated in college were classified as SWDNC and all others were classified as SWC. Subject variables, situation variable, and the interaction between the subject and situational variables (e.g., the moderator variables) were included in the discriminant analysis as predictors.

For the analysis sample, the differences between means as well as F-ratios for the predictor variables (subject, situation, and their interactions with cheating deterrents) are provided in [Table 1](#). The magnitude of the F-ratios and the mean differences indicate the degree of influence of the predictor variables in describing the students who cheat (SWC) and the ones who do not (SWDNC). At the 0.05 significance level, data supported hypotheses H1, H2, and H3. Hypothesis H5 is partially supported. However, hypothesis H4 is not supported.

The discriminant function along with the standardized discriminant coefficients or weights and the structure matrix are provided in [Table 2](#). The structure matrix provides the correlation between the predictors and the discriminant function. Therefore, the correlation coefficients can be interpreted as indicators of the strength of the relationship between each predictor variable and the discriminant function, taken one at a time. For example, the size of the relationship between neutralization and the discriminant function (.78) was much higher than the size of the correlation between in-class deterrents and the discriminant function (-.06). The final discriminant function is composed of only 3 predictor variables, not the six predictors that were significant using the F-test ([Table 2](#)).

The discriminant function from the analysis sample also provided a Wilks-lambda of 0.80 that produced a Chi-square value of 26.37 at 3 degrees of freedom that was significant at $p < .005$. The canonical correlation for the discriminant function was 0.45 which suggested that approximately 20% of the variation in the dependent variable (whether a student cheated or not) was explained by the three independent variables. To determine the predictive ability of this discriminant function, the hold out sample (180 observations) was used. Results showed 73.3% of the cases to be correctly classified (132 cases). The proportional chance

criterion was 57.8%, meaning this percentage of students to be correctly classified by chance. These results add credibility to the predictive power of the discriminant function in that a higher percentage of the cases were correctly classified from a large sample.

In summary, gender, GPA, neutralizing attitude as well their interactions with in-class cheating deterrents are significant predictors of students who cheat and students who do not. In-class cheating deterrents by themselves are not significant. Results show that when all predictors are taken together, only three variables are significant in predicting for SWC and SWDNC. The remaining 3 variables (gender, GPA, and the interaction between neutralization and in-class deterrents) did not provide any additional information in predicting and therefore, were not selected in the stepwise discriminant procedure.

IMPLICATIONS

This study supports earlier findings that subject variables such as gender, GPA, and neutralizing attitude are significantly related to incidence of cheating among marketing students. Situational in-class deterrents were significant only as a moderator. These findings have implications for managing cheating that takes place in the classroom. For example, hypotheses H1 and H2 show that male students as well as students with lower GPAs cheated more than females, and those with higher GPAs. Although faculty members cannot “single out” students who fit this profile, while conducting exams, it is possible to be more alert to incidences of cheating by male students and students with lower GPAs. Results also indicate that the relationship between gender and GPA with cheating incidence was moderated by in-class deterrents. This finding shows cheating deterrents affect students differently, based on their demographic profile and attitude towards cheating. It is clear from the findings that cheating deterrents have more of an effect on females and those with high GPAs than males and those with lower GPAs. Thus, instructors will find that in-class deterrents will have varying impacts on students. However, by using rotating types of in-class deterrents, faculty members may keep students alert to an attempt to discourage cheating behavior.

Hypotheses H3 and H4 also show the influence of neutralization as well as the interaction between neutralization and deterrents on incidence of cheating. Students who find it easier to rationalize that cheating is acceptable are more likely to cheat in class. This indicates that in addition to having cheating deterrents in place, it is also essential to change current attitudes of our students. Faculty members should be very vocal about their own attitudes toward cheating and attempt to create a better value system for students, letting them know that cheating is unacceptable, even if one is not caught.

While the multiple discriminant function was significant in predicting for incidence of cheating, the high ratio of 73.8% and the low R^2 value shows that some of the variation in the cheating behavior is still not explained. This suggests a need for inclusion of other predictor variables that can be used to explain some of the unexplained variance in cheating behavior. For example, theories of deviance suggest variables such as past cheating behavior (i.e. cheating is learned behavior), rewards and costs associated with cheating behavior, and the weakening of social bonds to society, all may influence cheating behavior (Heineke 1978). Future studies could include these variables in explaining more of the variation in cheating behavior.

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Table 1

Means Scores of Predictors of Students Who Cheat (SWC) and Students Who Do Not (SWDNC)

Predictors	<u>Mean</u>		F-ratio
	SWC	SWDNC	
Gender	0.66	0.40	8.01 ¹
GPA	2.68	2.88	3.99 ¹
Neutralization	2.67	1.96	18.03 ²
In-class deterrents	3.07	3.12	0.19
Gender*In-class deterrents	2.03	1.19	8.55 ²
GPA*In-class deterrents	8.21	9.00	3.67 ¹
Neutralization*In-class deterrents	8.32	6.11	12.31 ²

¹ p < .05² p < .005

Table 2

Discriminant Analysis Comparing Students Who Cheat (SWC) and Students Who Do Not Cheat (SWDNC)

Predictor Variables	Structure Matrix (Correlations)	Standardized Coefficients (Weights)
Gender (X1)	.54	NI
GPA (X2)	-.41	NI
Neutralization (X3)	.78	.77
In-class deterrents (X4)	-.06	NI
Gender * In-class deterrents (X1*X4)	.53	.53
GPA * In-class deterrents (X2*x4)	-.35	-.35
Neutralization * In-class deterrents (X3*x4)	.62	NI

NI = not included in the stepwise solution

EXPERIENTIAL LEARNING: THE BRIDGE TO THE “REAL WORLD”

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ABSTRACT

Academics are constantly faced with the challenge of how to most effectively bridge the gap from academia to the “real world” for our students. These challenges present several questions. What paradigm best enables students to learn in college? Was what was learned in the classroom meaningful to the students who graduated and started careers? When should a new paradigm of teaching be applied in the classroom? This paper describes a unique application of experiential learning and reports the results of implementing such a technique over a five-year period.

The teaching approach used involved partnering with Apple, Inc. to give students a chance to experience real-world marketing decision-making. The partnership was executed in a for-credit marketing elective during each Spring semester from 1992-96. Specific tasks that students undertook included researching the computer industry, developing marketing, advertising, and promotion strategy for on-campus promotions, developing a database of vendors, organizing and executing the on-campus trade show, post-promotion research, and presentation to Apple executives.

A questionnaire was mailed to every participant in the Apple, Inc. course during the five years. In addition, questionnaires were mailed to marketing alumni not participating. Part of the questionnaire measured the perceived level of preparedness of the graduate in certain conceptual areas. The scale used was a seven-point semantic differential anchored by “extremely prepared” and “not at all prepared.” The purpose of the study was to examine the perceived differences in preparedness by the marketing majors and those students completing the Apple class. The marketing majors were compared to the Apple respondents on twelve items. The items on which the Apple participants rated a significantly higher level of preparedness than the non-participating students included: ability to develop innovative strategies to solve business problems, professional oral communication skills, preparation for working with people of different ethnic and racial backgrounds, ability to work with people of different genders, emphasis on teamwork, preparation for rapidly changing technological environment, and ethical decision-making skills. In addition, the Apple participants indicated a significantly higher likelihood to recommend the College of Business to a friend or relative.

THE EVALUATION OF FACULTY PERFORMANCE IN RESEARCH AND SERVICE: SOME PRACTICAL BENCHMARKS

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ABSTRACT

This paper attempts to provide practical benchmarks for resolving four issues that are often contentious during the typically annual merit evaluation of marketing faculty at US business schools. These are: (1) realistic weights for teaching, research and service, (2) consistency in the evaluation of research and service performance, (3) the issue of single versus multiple authorship and, (4) the importance given to various service activities. Specifically, the paper presents and analyzes mail survey data from chairs as well as members of performance evaluation committees of marketing departments at US business schools with and without a doctoral program. Similar data, obtained from finance faculty of the same schools, are also presented for comparison purposes.

INTRODUCTION

We will start with the reasons for focusing on the above four issues. Past research on the issue of evaluation of faculty at US business schools has more or less established that this is based on their performance in three areas: teaching, research and service. If faculty performance is determined by performance in these areas, it follows that the aggregate outcome will depend heavily upon performance in each area as well as the weight assigned to that area. Clearly, the yardsticks for measuring performance in Teaching, Research and Service are quite different; however, the outcome is also influenced by the weights. Next, we certainly recognize that depending on their mission and resources, business schools can and do differ in acceptable outlets for faculty research. While there have been numerous studies dealing with journal rankings (see Henderson et al 1991, for a comprehensive list), one problem we have encountered is that even after agreement on relative ranking of a journal, there are no clear, defensible and consistent guidelines on the reward structure for publication in journals of different quality. We attempt to address this issue with empirical data. Moving on to the issue of single versus multiple authorship, the promotion and tenure guidelines in many schools, including ours, clearly require that the junior faculty member reasonably demonstrate the ability to do "independent" research. This has evolved into department guidelines requiring that such faculty publish at least a certain number of "single-author" papers by the time they come up for promotion and tenure. We believe that a proper incentive for this would be an evaluation scheme that rewards single-author research and present empirical data for implementing such a procedure. Finally, we attempt to categorize and present an empirically derived point scheme for evaluation of various service activities that attempts consistency within the category of service and when compared with research activities.

METHOD

Six copies of a mail survey were mailed to chairs of departments. They were requested to fill one out themselves and distribute the remaining five to faculty serving on merit evaluation and/or promotion-tenure committees. One hundred and twenty-three marketing faculty and eighty-nine finance faculty responded from sixty-seven and forty-four schools, respectively. Eighty-three marketing faculty responded from forty-four Ph.D. schools, and forty from twenty-three non-Ph.D. schools. Fifty-five finance faculty responded from twenty-five Ph.D. schools, and thirty-four from nineteen non-Ph.D. schools. For marketing, this represents 45 percent of the schools surveyed and an average of 1.84 marketing responses per school. For finance, it is nearly 50 percent of the schools surveyed and an average of 2.02 responses per school.

CONCLUSIONS AND SUMMARY

Evaluators are found to place more emphasis on research compared to teaching or service, and this emphasis is more pronounced in schools with PhD programs in marketing. While the quality and quantity of published articles are objective and reliable measures of research productivity, it is much more difficult to compare performances in teaching or service across

universities. Possibly, this ability to get external validation for research makes it the preferred activity. It also probably explains one of our findings that the emphasis on research is stronger among untenured faculty. See [Table 1](#).

On the issue of the relationship between the quality and quantity of research in the faculty evaluation process., we present clear evidence that evaluators consider research quality to be important. In other words, a faculty member is expected to publish a larger number of papers in a lower quality journal to receive the same credit as publishing fewer papers in a higher quality journal. Similarly, single authored papers are judged to make greater contribution than multiple authored papers, even if the faculty member is the primary author. Both these findings suggest that evaluators do indeed measure research productivity on a multi-dimensional scale. See [Tables 2 & 3](#).

Finally, this study also reports that faculty service is a multifaceted activity and that not all of these activities are weighted equally by evaluators. As would be expected, those service activities, where the quality of contribution can be externally verified, are the ones which are most highly valued by the evaluators. See [Table 4](#).

We hope that the results presented in this paper help improve the objectivity of performance evaluation criteria used by faculty members and administrators in marketing departments.

note: the unabridged version of the paper is available from the first author.

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Table 1: Median Perceived Weights for Teaching, Research and Service

Marketing weight for	PhD granting (n=83)		non-PhD granting (n=40)	
	untended	tended	untended	tended
perceived: teaching	30	30	40	40
perceived: research	50	45	45	45
perceived: service	10	20	13	18
Finance weight for	PhD granting (n=55)		non-PhD granting (n=34)	
	untended	tended	untended	tended
perceived: teaching	40	40	40	40
perceived: research	50	40	50	40
perceived: service	10	20	10	10

Table 2: Median Points for Journal and Conference Publications at Different Levels of Quality

Publication in....	Marketing (n=123)		Finance (n=89)	
	PhD granting (n=83)	non-PhD granting (n=40)	PhD granting (n=55)	non-PhD granting (n=34)
Journal rated "5" or highest	100	100	100	100
Journal rated "4" or highest	75	80	80	80
Journal rated "3" or highest	50	60	60	60
Journal rated "2" or highest	20	40	35	35
Journal rated "1" or lowest	5	20	10	10
Conference rated "5" or highest	50	65	55	70
Conference rated "4" or highest	30	50	40	40
Conference rated "3" or highest	20	35	25	30
Conference rated "2" or highest	9	20	10	13
Conference rated "1" or lowest	2	8	1	5

Table 3: Median Percentage Adjustment for Joint-authorship of Journal and Conference Publications (single author=100%)

Joint authorship status	Marketing (n=123)		Finance (n=89)	
	PhD granting (n=83)	non-PhD granting (n=40)	PhD granting (n=55)	non-PhD granting (n=34)
for first of TWO authors	90%	90%	90%	95%
for first of THREE authors	75	85	75	80
for second of TWO authors	70	70	75	90
for second of THREE authors	60	60	63	75

Table 4: Median Evaluation of Thirty Service Activities (benchmark = flagship journal publication receives 100 points)

	Marketing					Finance				
	% Done	PhD	PhD rank	nonPhD	nonPhD	% Done	PhD	PhD rank	nonPhD	nonPhD
New undergraduate text book	19.5%	50	5	65	7	14.6%	30	9	45	9
New graduate text book	5.7%	50	7	70	6	12.4%	35	7	50	7
New PhD text book	2.4%	75	4	88	2	4.5%	65	3	75	3
New book of cases	4.9%	30	15	50	9	5.6%	20	19	50	8
New case in book of cases	10.6%	10	23	20	23	12.4%	8	27	10	24
Revised undergraduate text book	14.6%	20	19	40	15	13.5%	10	24	20	15
Revised graduate text book	3.3%	30	12	45	12	7.9%	10	26	20	14
Program Chair: flagship conference	8.1%	40	10	50	8	12.4%	28	10	23	13
Track Chair: flagship conference	10.6%	20	21	40	14	9.0%	25	15	20	17
Session Chair: flagship conference	25.2%	10	22	20	26	38.2%	10	22	10	26
Reviewer: flagship conference	43.1%	5	28	10	28	50.6%	10	23	10	28
Editor: flagship journal	2.4%	99	1	99	1	1.1%	100	1	80	1
Editor: other journals	14.6%	80	3	80	3	16.9%	60	4	60	4
Editorial Board: flagship journal	22.0%	40	9	50	10	21.3%	35	8	40	10

Editorial Board: other journals	54.5%	25	16	40	17	49.4%	25	13	30	11
Chair: PhD Dissertation	43.1%	30	11	30	20	42.5%	40	5	25	12
Member: PhD Dissertation	51.2%	10	24	20	24	50.0%	20	18	18	20
Chair: master's thesis	23.6%	10	26	20	21	18.0%	10	25	15	21
Member: master's thesis	33.3%	5	29	10	29	16.9%	5	29	10	23
Coordinator: PhD program	19.5%	30	13	40	18	15.9%	25	12	20	19
Coordinator: MBA program	12.2%	23	17	40	13	10.1%	20	17	10	27
Coordinator: undergraduate program	8.1%	20	20	40	16	4.5%	20	16	10	22
Member: major committee	58.5%	20	18	20	25	52.8%	25	14	20	18
Member: minor committee	52.8%	10	25	15	27	52.8%	10	21	10	25
President: flagship association	0.0%	90	2	75	4	2.2%	70	2	78	2
President: other association	10.6%	50	6	70	5	7.9%	35	6	50	6
Officer: flagship association	8.1%	40	8	50	11	11.2%	28	11	50	5
Officer: other association	26.8%	30	14	30	19	15.7%	13	20	20	16
Consulting: paid	57.7%	0	30	1	30	47.2%	0	30	1	30
Consulting: unpaid	55.3%	10	27	20	22	47.2%	8	28	5	29

note: flagship journals: Marketing=JM, JMR, JCR, Finance=JF, JFE, JFQA and RFS
flagship conferences: Marketing=AMA Educators, Finance: FMA

THE QUALITY OF CONFERENCE PROGRAMS AND THE VALUE OF CONFERENCE PROCEEDINGS: FUTURE DIRECTION FOR THE ACADEMY OF MARKETING SCIENCE

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ABSTRACT

This paper examines the attitudes of members of the Academy of Marketing Science concerning their perceptions of its quality and importance relative to other marketing and marketing-related conferences. Members' opinions of the value of the Academy of Marketing Science and selected related conferences in terms of quality of program, institutional financial support, and their influence on career and professional development also will be examined. In addition, findings will be presented on the future role and direction of the Academy of Marketing Science.

INTRODUCTION

Attendance and publication at national and regional business education conferences will likely be a powerful factor in the promotion and tenure of teaching professionals in schools of business in the United States (Glascoff and Jones 1990; Widing, Browne, and Luke 1989). It is well documented in the business education literature that conference attendance and publication in academic journals have a significant impact on career development, promotion, and tenure. Two of the first studies to examine the role of publication in business education were the Carnegie and Ford Foundation Reports (Gordon and Howell 1959). Both studies criticized business education faculty for being too functionally oriented as well as too vocational in nature. While approximately 63 percent of the more than 5,000 faculty surveyed indicated that they preferred teaching over research, 75 percent conceded that it was difficult to gain tenure at their school without publishing (Gordon and Howell 1959).

Various studies of journal articles as well as longitudinal analyses have been conducted in an attempt to measure the perceived quality of these publications (Taylor 1992; Coe and Weinstock 1983). There has been, however, considerably less research examining the function and relevance of attendance and publication at related conferences (Glascoff, Grant, Jones and Swift 1997). Surveys of deans, department chairs, and faculty members by Widing, Brown, and Luke (1989) indicated that participation at conferences had a considerable role in the professional development of faculty. Specifically the publication of a paper at a national conference was ranked fourth in relative importance, while publication at a regional meeting was ranked tenth. While promotion and tenure are important considerations for conference members, there are other pertinent reasons for attendance. Studies by Swift, Glascoff, Jones and Grant (1997) point out that the dissemination of scholarly ideas and networking also play a constructive role in national and regional meetings of scholars. They also suggest that the exchange of discipline knowledge was the original intention of conferences.

METHODOLOGY

After obtaining verbal consent from the organization, a questionnaire was mailed to those who attended the 1997 Academy of Marketing Science conference in Miami, Florida. Attendees were asked to complete a four part questionnaire and return the questionnaire in the self-addressed, stamped envelope that was provided. Two hundred and two surveys were distributed by mail to U.S. and international conference members. A total of 53 usable responses was received providing a response rate of twenty-six percent. The response rate was slightly better than average, probably due to the fact that the surveys were mailed directly to the conference members.

Likert-type scales were used in the first three parts of the survey. The ratings ranged from one to seven for the perceived quality of the conference, from one to ten for the weight of the publication, and from one to five for questions concerning the future role and direction of the Academy of Marketing Science. The first two scales had polar extremes anchored with the words "lowest" and "highest". The third scale (role and direction) was anchored with the words "strongly agree" and "strongly disagree", with respondents being asked to indicate their level of agreement. The variables were assumed to be interval-level data and descriptive measures were calculated accordingly.

RESULTS

As suggested in the literature review, the perceived quality of a conference can influence the decision to attend that conference. Respondents were asked to rank eighteen conferences in terms of quality level. The Academy of Marketing Science conference was rated third with a mean score of 5.82. The Association of Consumer Research was ranked first, followed by American Marketing Association Winter Educators, with scores of 5.9 and 5.82, respectively. The lowest ranked conferences were O.R.S.A./TIMS (Regional), Georgia Association of Marketing Educators, and Atlantic Marketing Association.

In an attempt to measure the perceived level of institutional support for conference attendance, attendees were asked to respond to a series of questions that would determine the type of conference participation the school supported, the change in financial support over the last five years, and whether the institution encouraged or discouraged conference participation. Forty-six percent of those who responded indicate that their school would financially support just attendance at a conference without a presentation. Of those who responded yes, fifty-five percent stated that their institution would provide full financial support. Approximately fifteen percent indicated that their school would provide less than fifty percent support.

Respondents were asked to evaluate the conferences in terms of the value that publication of a paper at this proceeding would have on the aforementioned career considerations at that particular institution. The conferences to be ranked are the same that were previously ranked in terms of conference quality. Although the actual ranking changed, the top five ranked conferences in terms of quality also were ranked in the top five as having a proceedings publication as the most valuable. The Academy of Marketing Science, which ranked third in the conference quality rankings, was rated highest in terms of publication value to promotion, tenure, and annual performance evaluation. The bottom four ranked conferences included three that were ranked lowest in the quality ratings (Georgia Association of Marketing Educators, Atlantic Marketing Association, and Mid-South Marketing Educators) as well as Western Marketing Educators.

Respondents were also asked to provide their opinions and preferences of how future Academy of Marketing Science conferences should be conducted. Table 3 summarizes the responses to fifteen questions designed to provide qualitative data on the role and direction of future AMS proceedings. The top 5 and bottom 5 statements are of most concern. Primarily, respondents indicated a significant concern that future conferences be serviceable by airlines. Participants also prefer the informality prevalent at AMS conferences as well as the courtesy and collegiality. Respondents also indicate a preference that the AMS publish short abstracts instead of full-length papers that could be published elsewhere. Finally, respondents see a need for a computer-searchable 'lit-review' data base for AMS papers.

CONCLUSION

According to the study conducted by Glascoff and Jones (1990), the Academy of Marketing Science was the third highest rated conference in terms of tenure, promotion, and performance evaluation. This study confirms AMS is still a highly respected conference among business educators, placing it at the top of that list. In addition, AMS is now ranked third in terms of conference quality. It should be noted that over seventy percent of the respondents are heavy users, which implies that they have a competent perspective from which to judge conference program quality and value. However, respondent bias may also have inflated the findings.

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Table 1
Ratings of the Quality of the Conference Program

Conference Name	Mean*	S.D.	Number	Heavy+
Association for Consumer Research	5.90	1.45	30	8
American Marketing Association Winter Educators	5.82	1.11	40	14
Academy of Marketing Science	5.39	1.34	51	36
American Marketing Association Summer Educators	5.21	1.52	42	27
Decision Sciences Institute (National)	5.20	1.21	15	1
Academy/A/C/R/A/Retailing Conference	4.90	1.20	10	2
O.R.S.A./TIMS (National)	4.50	1.62	12	3
Southern Marketing Association	4.28	1.02	32	17
Western Marketing Educators	4.27	1.58	15	5
National Conference on Selling and Sales Management	4.00	1.83	7	5
Decision Sciences Institute (Regional)	3.92	1.32	13	0
Southwest Marketing Association	3.70	1.08	20	12
Association of Marketing Theory and Practice	3.44	1.24	9	0
Marketing Management Association (MMA)	3.43	1.13	7	0
Mid-South Marketing Educators	2.83	1.11	12	4
O.R.S.A./TIMS (Regional)	2.80	.84	5	0
Georgia Association of Marketing Educators	2.80	1.64	5	1
Atlantic Marketing Association	2.73	1.01	11	1

*Based on semantic-type scale where 1=Lowest quality and 7=Highest quality.

**Those who have attended 2 or more of the relevant conferences during 1991-1996

Table 2

Value Which Paper in Proceedings Would Carry at Your Institution in Terms of Promotion, Tenure, and/or Annual Performance Evaluation

Conference Name	Mean*	S.D.	Number	Heavy**
Academy of Marketing Science	6.66	2.32	41	26
American Marketing Association Winter Educators	6.07	2.55	35	6
Association for Consumer Research	5.78	2.89	36	6
Decision Sciences Institute (National)	5.48	2.41	23	1
American Marketing Association (Summer)	5.30	2.62	37	46
O.R.S.A./TIMS (National)	4.53	1.94	17	1
Association of Marketing Theory and Practice	4.35	2.83	17	0
National Conference on Selling and Sales Management	4.00	2.42	15	2
Southern Marketing Association	3.96	2.16	26	6
Decision Sciences Institute (Regional)	3.89	2.27	18	0
O.R.S.A./TIMS (Regional)	3.58	2.23	12	0
Academy/A/C/R/A/Retailing Conference	3.47	2.29	17	0
Marketing Management Association (MMA)	3.38	2.26	13	0
Southwest Marketing Association	3.14	1.86	22	3
Georgia Association of Marketing Educators	3.09	1.97	11	0
Atlantic Marketing Association	3.06	1.98	17	0
Western Marketing Educators	3.06	2.13	18	2
Mid-South Marketing Educators	2.92	2.14	13	0

*Based on Likert-type scale where 1=Lowest institutional weight and 10=Highest institutional weight.

**Those who have had 2 or more articles published in the proceedings of the relevant conferences during 1991-1996

Table 3
Role and Direction of the Academy of Marketing Science

Statement	Mean*	S.D.	Num
It is important that the AMS location be well served by air(lines).	1.64	1.08	53
I prefer the informality of many of paper presentations at the AMS meeting.	2.10	1.26	52
The AMS should publish short abstracts so full-length versions could be published elsewhere.	2.17	1.12	53
. It is important that AMS papers be indexed in a computer-searchable "lit-review" data base	2.30	1.29	52
More courtesy and collegiality are shown in AMS sessions than in sessions of other regional conferences	2.58	1.79	49
I would like more practitioner or industry related activities (tours or demonstrations) at AMS.	2.77	1.27	53
I would like to see more industry representatives/practitioners on the program or in special sessions.	2.81	1.26	53
The AMS meeting should alternate annually from North to South	2.92	1.07	52
It is important that the AMS basically stay "as is."	3.08	1.05	48
I would like to see a Journal published by the AMS (similar to the <i>Journal of Marketing Management</i> by MMA).	3.08	1.87	48
I would prefer fewer concurrent sessions at the AMS conference to allow me to visit more of the sessions.	3.17	1.13	51
I think AMS reviewers/track chairs should be more rigorous.	3.19	1.08	52
I would prefer more emphasis on theoretical topics (less on applied topics) in the program for AMS.	3.43	1.07	51
I would prefer fewer sessions during the day at AMS conferences to free up time for other activities.	3.43	1.05	53
I would prefer having the start time for the first session at the AMS conference start later in the morning.	3.58	1.22	52

*Based on Likert scale where 1=Strongly Agree and 5=Strongly Disagree.

TOURISM MARKETING AND PUBLIC POLICY IN AUSTRALIA: THE CASE OF BRAND WA.

Lance McMahon, Curtin University

ABSTRACT

This paper discusses the rise in importance of tourism to the Western Australian economy, and the need for greater marketing activity by government and marketing sensitive policy communities. Details of the campaign's planning and progress to date are given, centering on the controversial role of the supermodel, Elle Macpherson.

INTRODUCTION

Tourism and associated services are currently identified as one of Australia's key export earning industries, and government industry policy has prioritized the area for targeted development (see, for example, Prime Minister Howard, Address at the Queensland Chamber of Commerce and Industry Dinner, August 15th, 1997). The steady growth in industry policy emphasis on tourism has corresponded with and it can reasonably be argued, has arisen from, the steady decline in the terms of trade and earning capacity of Australia's traditional commodities export industry base. This has also accompanied a twenty year process of reduction in tariff and other regulatory protections for import substituting local manufactures, a process set to continue under current government policy settings and also under treaty obligations to the World Trade Organization.

Evidence from the past decade is promising. The Australian tourist industry has experienced a steady rise in visitor numbers; from 1,061,700 Short Term Visitor Arrivals in 1984-85 to 3,169,000 Short Term Visitor Arrivals in 1993-94 (Bureau of Immigration, Multicultural and Population Research, 1995, p8). Although the three-fold increase for short term visitor arrival numbers over the decade is promising, there are two other points that should be noted in assessing the figures. First, there has been a sustained boom in international travel on a global scale, with international air travel set to double within the next ten years by most estimates. Second (and related to the first), figures for the same decade show that Australian Resident Short Term Movement Departures grew by just under the same rate as for visitor arrivals; from 1,497,800 in 1984-85 to 2,304,000 in 1993-94 (Bureau of Immigration, Multicultural and Population Research 1995, p8). While there is a promising modest net gain to Australia, the overall economic benefit of visitor arrivals should not be taken in isolation from the discounting economic effects of resident departures.

While Australia's tourist industry gains are laudable, it remains that Australia's share of the total world tourist market is small. The United Nation's World Tourist Organization estimated that over 500 million tourists traveled in 1993, making Australia's share - calculated from the figures above - just 0.6%. The World Tourist Organization found that figures suggest that tourism accounts for 8% of world exports, 31% of international trade in services, 100 million people directly employed, and infrastructure investment of over \$3 trillion (Kotler, Bowen, and Makens 1996, p635). This suggests that Australian industry policy should focus even more heavily on the tourist industry sector, lifting the estimated input of 5% of GDP and 9% of total export earnings (Craik 1992, p233) far further.

Success for the federal Brand Australia and its sub-federal progeny including the Western Australian Government's Brand WA will depend on a multitude of interdependent policy settings. Three key ones are; first, policy for the appropriate provision and management of infrastructure and development; second, policy for the development of appropriate human resources (especially in the promotion of hospitality and linguistic skills). The third is the core concern of this paper, policy for the appropriate application of marketing practice.

Tourism is already an highly competitive sector, with many nations actively pursuing policies to increase their share of the growing market. In Australia's immediate region the competition is intense, with most notably Indonesia, Malaysia and Philippines prioritizing tourism (*Asian Trade & Investment* 1996). In economic terms (after Robinson, 1933, and Chamberlin, 1933) competition in international tourism can be seen as monopolistic (imperfect) competition. This is as no national

destination offers a perfect (identical) substitute to any other destination, conditions of imperfect competition apply. The number of destination choices has no natural constraint and therefore market entry and expansion of market share depends heavily on the discipline of marketing, especially in creating product or brand differentiation and developing strategic approaches to locational and logistical factors. The development of Brand Australia and Brand WA are clearly a recognition of this.

BRAND WA

As a federal system, Australia's policy activity requires coordination on a cooperative basis (although there are many notable examples of federal-state cooperative breakdowns and an increasing federal centralist tendency to coercion). Federalism also leads to competition between Australia's six States and two Territories. The tourism policy area is a clear example of both the cooperative and competitive aspects of Australia's federal arrangements.

Coordinated through the framework of the national Brand Australia campaign, the States and Territories (and cities and regions) are concerned to cooperate to lift the total visitor in-flow to Australia. However, they are also concerned to compete to increase their share of the total visitor in-flow, and also their share of the domestic resident market (which has the added national economic benefit of reducing the number of resident departures and effectively providing an import substitution effect, as noted above). Competition also brings benefits through the commensalist impact of the marketing of any one Australian destination increasing the recognition and attractiveness of Australia generally, and therefore of other Australian (competitor) destinations in a flow-on effect.

Brand WA is the Western Australian State Government's contribution to the tourism marketing strategy within this federal context. Brand WA was officially launched in November 1996 by Premier Richard Court, who was then campaigning for election for a second term for his Government (at the December 14th poll). Brand WA was seen as an electorally popular high profile initiative. The development of Brand WA had fomented over the course of the year, with key market research published in September (in the *Partnership Western Australia: Developing Brand Western Australia* booklet).

The main rationale behind the development of the strategy was to define Western Australia's identity in marketing terms. The State had lacked an image focal point after the international interest in defense and loss of the America's Cup in 1987 waxed and waned. Lacking the fiat of another event of such international interest (like Melbourne's Grand Prix or Sydney's 2000 Olympics), a commitment was given to the creation of a brand that 'must portray reality' and 'become an integral part of the State's culture' (Western Australian Tourism Commission, undated, p7).

Six key target markets were identified on a "best return for investment" basis (Western Australian Tourism Commission, undated, p12). Two are internal Australian markets; first the promotion of the State to residents of the State (serving a joint outcome of promoting resident tourism within the State and also of inculcating local recognition and support for Brand WA and the culture change mentioned above). Second, the "Eastern States Market" of the other Australian States and Territories. The choice of the term for this target market (as at Government of Western Australia, 1996, p16) reflects the parochialism and isolation of a State occupying the Western third of a lowly populated and arid continent roughly equal in size to the continental territory of the United States (excluding Alaska). A quote from an anonymous "Eastern States" respondent to the Brand WA market researchers illustrates the problem of Western Australia's isolation:

"I wonder what it's like (Western Australia)... you see it on the weather map, it's so far away." (Government of Western Australia, 1996, p16)

In 1994 568,000 visitors came to Western Australia from elsewhere in Australia (Government of Western Australia, 1996, p16), this represents 56% of the total visitor number and 48% of total visitor expenditure (Western Australian Tourism Commission, undated, p12). The four other markets prioritized are three South East Asian regional markets, Singapore, Indonesia and Malaysia, and one traditional market, the United Kingdom (Western Australian Parliamentary Debates [Assembly] 11th September, 1997, p6152).

On launching the Brand WA strategy, Premier Court was pleased to announce the securing of the New York based, Australian (Sydney) born fashion model, business identity and actress, Elle Macpherson. In a media release Court observed that:

‘Elle Macpherson perfectly complemented the new ‘brand’ for Western Australia - fresh, natural, free and spirited - and had the necessary international appeal to promote Brand WA.’ (Premier of Western Australia, Media Release, 6th November, 1996) Macpherson was to be the personification of Brand WA.

PROMISE AND PROBLEMS: INITIAL IMPACTS OF BRAND WA

Brand WA has been reported to have shown much promise since the November 1996 launch. Perth based advertising agency Marketforce (who are handling much of the campaign) claimed major success for the television and print advertising campaign, claiming that Macpherson had trebled the campaign’s exposure in the Eastern States market. Research showed that 93% of people surveyed in Sydney could instantly recall the television advertisements.

However, Brand WA also suffered from a variety of problems, some intrinsic and some extrinsic to the campaign. The first set of problems relate to the initial contractual arrangements to secure Macpherson’s involvement in the campaign. Rather than contracting Macpherson as an individual celebrity identity, Macpherson came as part of a contractual package involving the company Elle Racing Pty. Ltd. The package, echoing the halcyon days of the America’s Cup defense, was to be event based by entering an all-female crewed yacht (which, at times, would include Macpherson) in the round-the world Whitbread yacht race (commencing on 21st September, 1997). Under the terms of the deal Macpherson’s AUD\$600,000 fee was to be paid to Elle Racing and the State Government would also sponsor the yacht with a further AUD\$400,000 (*West Australian* 2nd July, 1997). Also the contract was not put to open tender, but rather was hidden from public scrutiny and accountability. Freedom of Information requests by investigative journalists and Independent and Opposition Members of Parliament for the 28 key documents have been (to date) refused. (Western Australian Parliamentary Debates [Assembly] 9th April, 1997 p1395)

Initial criticism of the deal centered on the timing of the launch (as noted above) during the 1996 election campaign and on the fact that Elle Racing’s co-director, and later sole director, John Harvey, had previously worked as a political adviser to three nationally prominent members of the governing Liberal Party (Peacock, Greiner and Kennett). Also it was later revealed that Elle Racing had capital assets of just AUD\$10, and that the company’s assets had not been scrutinized by the key State bureaucrats involved in the deal (Western Australian Parliamentary Debates [Assembly] 9th August, 1997 p1395). Prior to Macpherson’s arrival in Western Australia to film the scheduled eight advertisements, trouble within Elle Racing came to public notice when the yacht’s skipper Adrienne Cahalan quit claiming AUD\$97,000 in pay arrears and as a result of associated legal action the yacht was impounded in Sydney Harbor (*West Australian* 8th and 15th January, 1997). The next problems arose during the filming of the advertisements in February 1997, when a free-lance journalist was allegedly assaulted by Macpherson’s bodyguard in an incident which also involved a senior bureaucrat from the Western Australian Tourism Commission.

The Elle Racing entry to the Whitbread race was at first delayed on June the 1st 1997 when the required AUD\$600,000 entry fee was not forwarded, and subsequently the entry collapsed altogether. Despite this, Harvey demanded full payment from the Western Australian Government and threatened legal action if the Government reneged, including action to block the screening of the eight commercials. At the time of writing the Government has paid AUD\$540,000 to Elle Racing as per the requirements of the (publicly unseen) contract installments, the AUD\$60,000 reduction calculated as the loss in value of Macpherson not personally participating in the Whitbread race and the sponsorship of AUD\$400,000 being considered void as the yacht was not racing. (Western Australian Parliamentary Debates [Council] 11th September, 1997 pp6080-81)

Contractual secrecy was maintained, with Tourism Minister Moore stating:

‘Mr Harvey received the money owing to him and his relationship with Miss Macpherson is his business. I do not know whether Elle Macpherson received any money.’ (Western Australian Parliamentary Debates [Council] 11th September, 1997 pp. 6080-81)

Moore also stated that as the contract with Elle Racing had terminated, other arrangements such as Macpherson's attendance at the Brand WA London launch in September 1997 had been re-contracted for separately, but again he declined to provide any details.

Other intrinsic problems arose from Brand WA's use of a celebrity source, long held to be a risky enterprise in the marketing industry. Three problems arose with Macpherson's image. First, health experts criticized the "fresh face of WA" for endorsing cigar smoking in the tobacco product promoting United States publication *Smoke* (*West Australian* 9th July, 1997). Second, there were public allegations arising from legal actions in the United States concerning an extortion attempt on Macpherson based on a threat to release pornographic photographs of the model on the internet (*Sydney Morning Herald* 23rd August, 1997). Third, the announcement in August 1997 that the unmarried Macpherson was pregnant aroused the ire of religious leaders, with particularly strong criticism from Perth Muslim leader, Ismail Fredericks (*West Australian* 22nd August, 1997); important as several key target markets are predominantly Muslim nations.

There are three key extrinsic problems for the Brand WA campaign. First, two of the key target markets, Malaysia and Indonesia, in the company of other significant South East Asian region markets, were caught in a currency crisis in the second half of 1997 that resulted in (at the time of writing) an across-the-boards devaluation against the dollar of approximately 30%. Second, from September 1996 there has been considerable Asian regional attention given to the racist and anti-Asian political stance of the federal parliamentarian Pauline Hanson and her One Nation Party.

Despite the Western Australian Parliament's strident and unequivocal condemnation of Hanson's views (Western Australian Parliamentary Debates [Assembly] 30th April, 1997 pp2009-2033), disengaging negative perceptions of Western Australia from the Queensland based Hanson statements was and remains a difficult marketing brief. The third extrinsic problem stems from the State's recent political history. The Court Government had been chiefly elected on a platform of opposing the unaccountable government-business relations that were the *modus operandi* of the State Government in the 1980s and were pejoratively tagged "WA Inc". However, as discussed above, the Elle Racing deal attracted political and journalistic opprobrium for demonstrating a WA Inc style lack of accountability and of "playing favorites" for political purposes.

CONCLUSION

Shifting trends in global economics have pushed an agenda for change on to all nations, replacing the certainties of industrial economies with the challenges of post-industrial service and information driven economies. Australia and Western Australia are faced with an increasingly important imperative to develop the "new" industry sectors to offset the decline of the "old", and tourism is a key area for development.

Success in this process of transition is not a given, rather it is a difficult and complex process requiring the development of new policy communities and the integration of skills not previously seen as related. In the case of the tourism industry sector, the new policy community necessarily mixes public policy skills with marketing skills; neither side of this mix has an history of understanding of or empathy for the other. The marketing and public policy relationship is moving beyond the narrow confines of a regulatee and regulator relationship which has dominated academic (as in *The Journal of Public Policy and Marketing*) and practitioner understanding. As in 1954 Drucker expanded the marketing concept beyond selling to be a whole of business view permeating all areas of enterprise, so now the marketing concept is being expanded to be a whole of government view permeating all areas of public policy. Increasingly good public policy will include marketing skills and conversely good public marketing (and increasingly private sector based marketing) will include policy skills.

The Lilliputian example of Brand WA illustrates some of the difficulties of the new mix. Politicians and bureaucrats showed a lack of understanding and appropriate scrutiny of the development of the marketing strategy, especially as it applied to Elle Racing. Marketers showed a lack of understanding of the political and policy environment, of operating in what one

observer termed 'the goldfish bowl' of public accountability in contrast to the private sector commercially confidential environment which is 'more forgiving of mistakes' (Rumsfeld 1979, p48).

Brand WA, with its scant resources and troubled beginnings, may still prove to be an effective campaign both in terms of tourism and as a marketing of place exercise bringing broader benefits to the State. However, there are four key lessons which can be drawn from the campaign to date. First, the campaign should have been open to market competition rather than developed as a closed, untendered process. Second, the launch date should not have coincided with the election campaign arousing suspicions of political opportunism (as the strategy was, it seems, ready to be launched two months prior to the actual launch date). Third, the contractual arrangements with Elle Racing and the attempt to link the campaign to an event (the Whitbread race) were ill-conceived and should have been (and now be) open to the scrutiny of public accountability. Finally, the policy community needs to be broadened (especially through the inclusion of industry and economic policy skills) and the resources available increased if a serious attempt is to be made to reposition the State's economy along the lines discussed above.

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AN APPLICATION OF THE DOMINANT PRODUCT - DOMINANT COUNTRY FRAMEWORK OF EXPORT SEGMENTATION TO THE CASE OF TURKEY

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ABSTRACT

This paper seeks to validate the 'Dominant Product - Dominant Country (DPDC)' framework (Shankarmahesh and Olsen 1997) of export segmentation in the context of Turkey, an advanced developing country. The DPDC framework is a 2x2 framework which varies along two dimensions, namely, the product's share in the export portfolio (a percentage) and the target country's share in the export portfolio (also a percentage). These two percentage figures for Turkey for the years 1994-96 are fed into a hierarchical cluster program and the cluster solution is externally validated using the DPDC framework. .

INTRODUCTION

Since the end of the second World War, most countries of the world especially developing countries adopted either import substitution or export promotion as alternate paths to economic development. These two strategies are at the opposite ends of the 'ideological spectrum' in the sense that import substitution essentially embodies the economics of protectionism whereas export promotion is a derivative of the free-market ideology. While countries that adopted export promotion prospered economically (e.g. Singapore, Taiwan), countries that chose import substitution slipped into economic doldrums (e.g. India, Brazil). With the realization that export promotion is a better vehicle to economic growth than import substitution, more and more countries are jumping into the 'export promotion' bandwagon. Given the vast array of product categories and target countries, governments of these countries will have to decide the focus of their export promotional activities given their limited budgetary resources. To be focused, governments have to indulge in segmentation. One of the useful tools for such export market segmentation is the 'Dominant Product - Dominant Country' framework (Shankarmahesh and Olsen 1997).

THE DOMINANT PRODUCT - DOMINANT COUNTRY (DPDC) FRAMEWORK

The DPDC framework uses existing products and target countries in the export portfolio as the bases for segmentation. The framework classifies product categories into dominant and non-dominant based on their percentage shares of overall exports. Similarly, trading partners are grouped into dominant and non-dominant based on their percentage shares as the final destination of the source country's exports. On the basis of a combination of low and high levels along these two dimensions, the DPDC framework proposes a 2 x 2 matrix with four quadrants. The four quadrants are the non-dominant product - non-dominant country cell, dominant product - non-dominant country cell, non-dominant product - dominant country cell and the dominant product - dominant country cell. In the case of non-dominant products and non-dominant countries, government efforts should be directed to investigate whether new product based competencies are evolving in the home country and whether such innovative products have growth potential. As far as non-dominant countries are concerned, source governments need to collect more information about the demand patterns in these countries and disseminate this information to home-country exporters. For dominant products and non-dominant countries, source governments should concentrate their efforts on helping to find new country-markets for product-based competencies embodied in the dominant products. Collection and dissemination of information about the demand patterns in non-dominant countries and design of incentive programs are some of the steps that source governments can take in order to facilitate market penetration in non-dominant countries. For non-dominant products and dominant countries, source governments should use their target-country knowledge to introduce other non-dominant product categories. For dominant products and dominant countries, the focus of government efforts should be on helping companies to maintain and enhance their position different dominant country markets. Reaching preferential trade agreements with governments of dominant trading partners can help to further the cause of trade between the source country and the different dominant target country markets. Source governments also need to evaluate their own productive capacities vis a vis potential competitors from third countries.

THE CASE OF TURKEY - AN EMPIRICAL ANALYSIS

Turkey was chosen for our analysis because of its strategic importance both in political and economic terms. Midway between Europe and Asia, Turkey has always been considered as a crucial link between the West and the East. Turkey is also vying to become a full-fledged member of the European Union (EU). The data for testing our framework was provided directly by the Ministry of Trade, Republic of Turkey. The ministry provided commerce statistics for the fifteen most active Turkish trading partners for 1994, 1995 and 1996. A hierarchical cluster analysis using the centroid means technique was performed on Turkish export data for the years 1994-96. For each year, an array consisting of combinations of percentage values of product categories and target markets in the export portfolio was input to the cluster program. A cut off value of 0.5% was used to determine the eligibility of products and markets to be included in the analysis. If desired, government policy makers can choose a finer cutoff value that would make possible the inclusion of a much broader category of products and countries. For the year 1994, a nine cluster solution was chosen on the basis of a 90% cutoff for R-Square and the subsequent convergence of R-Square percent values of centroid means. Nine cluster solutions were also obtained for the years 1995 and 1996. Of the nine clusters obtained, four clearly corresponded to the four cells of the DPDC framework. The other five emerged as special cases of individual cells. Specifically, special cases emerged for combinations involving the most dominant product and the most dominant country. Germany emerged as Turkey's most dominant target country and knit apparel was the most dominant product. Overall, the clusters fit in well with the cells of the DPDC framework and the cluster results were externally validated using the DPDC framework.

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THE DIMENSIONALITY OF ENVIRONMENTAL CONCERN: VALIDATION OF COMPONENT MEASURES

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ABSTRACT

Based on previous exploratory research by Zimmer, Stafford and Stafford (1994), this study develops and construct-validates measures for three dimensions of environmental concern -- Concern for Wildlife, Concern for Conservation, and Concern for Waste. These dimensions of environmental concern were assessed in a nomological network with the Ecological Impact scale developed and validated by Leigh, Murphy and Enis (1988). The resulting structural model evidenced reasonably good fit: $\chi^2_{(119)}=178.9$ ($p = .0003$), $\chi^2/df=1.5$, GFI=.92, AGFI=.88, RMSR=.06, SRMR=.04, NFI=.89. Predictive validity was tested using the scales in a discriminant analysis between a group of college students and the membership of a Sierra Club chapter; the scales proved capable of correctly classifying Sierra club membership -- evidenced by increase environmental concern -- in 77% of cases. Since the structural model demonstrated good fit with a previously validated environmental construct, and reasonably good predictive ability in practical use, this scale is considered valid for research use in detecting consumer concern for environmental quality in the three general areas represented by the construct.

Full references and a copy of the final scale are available from the authors at AMSQTRLY@aol.com.

EXPLORING THE MALE\FEMALE EARNINGS GAP AMONG MANAGERS: A CASE OF TURKEY

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ABSTRACT

The earnings gap literature consists of many studies from various countries and occupational groups. In the field of marketing, gender-based earnings gap is an area worth exploring in more detail because interest in the formal construct of the earnings gap in this field is relatively recent. For example, Kiecker et al. (1991) is the only empirical study in this field that has investigated the earnings gap for marketing managers, marketing researchers, and advertising agency managers and found that differences in corporate level, firm size, job continuity, and having a master's degree accounted for much of the income differences.

The reasons for conducting this research are twofold: First, there is a reason to question the extent to which earnings gap findings from one country can be generalized to other countries. Consequently, this study will respond to the need for more empirically grounded research in this area, and will also help determine if the independent variables operationalized may be applicable to other countries. This study will also increase our understanding of the earnings gap by testing the effect of independent variables (i.e., personal, firm-level etc.) on income. Kiecker et al. (1991) argue that earnings gap is a global phenomena. Hence, it also seems necessary to determine if previous researchers' findings are generalizable to other countries' settings. Second, there is very little literature on women in business in Turkey. Consequently, another purpose of this study is to explore the underlying dimensions of possible earnings gap between male and female managers in the Turkish retail sector.

A judgment sampling method using the 25 largest multi-level retail firms was operationalized to gather data. Only 8 firms out of the 25 that were first contacted agreed to participate in this study. A judgment sample was preferred to reduce the nonresponse rate that could occur with random sampling. A self-administered questionnaire was used to collect data, and questionnaires were dispatched to a total of 2129 retail personnel within 8 retail firms. From the first mailing, 447 usable questionnaires (a response rate of 21%) were returned, then 170 usable questionnaires were returned from a second mailing effecting a total response rate of 28.9%. Overall, the results of a regression analysis indicated that nonresponse bias was not a significant issue.

The dependent variable was measured by monthly salary. In the analysis stage, the dependent variable was manipulated as the natural log of a monthly salary divided by the number of hours worked (i.e., hourly earnings) (see Oaxaca 1973). The independent variables are grouped into three: firm size, personal attributes (age, education, job continuity, experience, job mobility, job level, and job category), and household attributes (number of children and marital status). The groupings of Wright et al. (1995) were used as a basis for this study.

In terms of (ln) dollars of the earnings gap, findings for male managers indicate that .086 out of .426 in earnings is accounted for by the respective independent variables. Furthermore, .155 out of .426 in females' earnings is accounted by the independent variables in this study. For males, while firm size decreases (-.234) the gap, household attributes do not change the gap. However, age (.117), experience (.079), and job continuity (.071) have relatively important increasing effects on the earnings gap. For females, while firm size decreases (-.188) the gap, household attributes do not have important effects on the gap. However, experience (.119), age (.091) and job continuity (.079) have relatively important increasing effects on the earnings gap. For both males and females, job level and job category have too small effects on the earnings gap. Overall, percent of the (ln) earnings gap accounted for by independent variables used in this study is 20% for males and 36% for females.

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MACRO ISSUES IN MARKETING: A DISCUSSION

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This session titled “Macro Issues in Marketing: A Discussion” has four papers. These papers address a range of macromarketing topics such as gender issues, environmental concern, strategies for export promotion, and tourism-related marketing.

The first paper is titled “Exploring the Male/Female Earnings Gap Among Managers: A Cross-cultural Study.” The authors provide a model for explaining the earnings gap between males and females in the retailing sector in Turkey as a function of firm size, personal attributes (age, education, job mobility, job level and category), and household characteristics such as number of children and marital status.

This study deals with a research issue (i.e., gender) that is becoming increasingly important in the marketing literature, and can be extended in a number of ways. Firstly, the male-female earnings gap can be looked at from different perspectives -- the employees’ perspective, the company’s perspective, and a public policy perspective. For example, from the employees’ perspective, it can be investigated whether employees are aware of the male-female earnings gap, and if so, whether it influences their morale and performance? From a company’s perspective, the reasons for the earnings gap and the consequences of the earnings gap can be explored, and therefore, actions that a company can take to reduce or overcome the earnings gap identified. From a public policy perspective, actions that the government and social groups can take in order to bring down the earnings gap may be explored. In short, there is an opportunity here to develop a framework concerning the antecedents and consequences of the earnings gap. Secondly, as the authors point out, it is important to replicate research in other countries. Therefore, using an index developed for measuring the earnings gap, the cross-country variation in the earnings gap can be investigated. This should not only add to our understanding of cultural differences but also offer multi-national companies an insight into what to expect when dealing with international compensation. Similarly, the prevalence of, and reasons for variation in the earnings gap across different industries can be investigated.

The second paper is titled “The Dimensionality of Environmental Concern: Validation of Component Measures.” The authors argue that “environmental concern,” as a construct, is different from other constructs such as voluntary simplicity and social responsibility. The domain of “environmental concern” encompasses seven underlying dimensions: concern for waste, concern for wildlife, concern for the biosphere, concern for popular issues, concern for health, energy awareness, and environmental technology (Zimmer et al. 1994). They condense the 43 item scale developed by Zimmer et al. into a 15 item scale using exploratory and confirmatory factor analysis. The three dimensions identified are concern for wildlife, concern for waste, and concern for conservation. The strength of this paper is in the thorough psychometric analysis carried out after the three dimensions are identified. Specifically, reliability analysis (Cronbach alpha), and nomological, discriminant, as well as predictive validity are assessed.

This topic offers good opportunities for future research. Specifically, the antecedents and consequences of “environmental concern” can be investigated. Based on related research, demographic, attitudinal, and personality or psychographic variables can be expected to impact environmental concern of individuals. Other variables such as the socio-economic status, as well as cultural background of the individual can be explored. The effects of an individual’s environmental concern on their perception about a company (company image) and a brand (brand image) can be studied. Further, the role of moderating variables such as situational factors can be studied. For example, the effects of an individual’s environmental concern on company image might depend on the extent of damage or harm done. Discussions about the teleological and deontological norms used by individuals in identifying situational factors can be included. Further, as related to the first paper, environmental concern can be looked at from different perspectives -- the consumers’ perspective, the marketers’ perspective, and a public policy perspective. These studies might have implications for organizations in allocating additional budgets to achieve environmentally friendly policies, and for public policy makers to motivate organizations to become more environmentally friendly. With increased globalization and discussions about the environment at the international level, this topic has a unique importance in the international arena. In an international

context, the questionnaire could be administered in different countries, and the variation in the environmental concern of consumers across countries investigated.

The third paper is titled “An Application of the Dominant Product - Dominant Country Framework of Export Segmentation to the Case of Turkey.” In this age of globalization, it is both a relevant and important topic. The authors posit that a product can be categorized as dominant or non-dominant depending on its contribution to overall exports of the country. Similarly, a country market can be categorized as dominant or non-dominant depending on its contribution to the overall exports of the country. Given 26 products and 13 countries, the 338 country-product observations can be classified into one of four quadrants. Therefore, the authors offer a procedure that can be used by public policy makers to identify products and markets that are attractive and non-attractive.

The authors’ framework can be extended in a number of ways. Firstly, the analysis can incorporate the exporting country’s performance in the importing country. The share of a country market’s imports can provide interesting insights about competition. In other words, a dominant market-dominant share of imports framework can be studied. This would be similar to the BCG matrix, and would offer useful insights to public policy makers in terms of investment and resource allocation decisions. Further, these analyses can be separately conducted for dominant products and non-dominant products. One can see that, while the current framework will help in resource allocation decisions across products and markets, the proposed framework will help in resource allocation decisions in markets based on the performance in those markets. Secondly, in this paper the authors provide a methodology for grouping products and countries in one of four quadrants. In an extension, the characteristics of countries in terms of variables such as geographic proximity, population, income, and economic freedom offered by the different markets (or openness of the different markets), as well as the characteristics of products in the respective quadrants can be identified.

It might be useful to theorize how product-markets evolve over time. What are the determinants of product dominance and what are the determinants of market dominance? These determinants will then help public policy makers to make decisions that will result in improved performance. It might be useful to conduct a longitudinal study where the determinants have changed over time, and then study the impact of the changes on product dominance, market dominance, and dominance of a market’s share of imports. The authors point out that there are minor changes in the categorization from year to year. These changes should be more pronounced over wider time horizons. What are the determinants of those changes? Specifically, do policy decisions in both the exporting and importing countries have an effect on those changes.

The fourth paper is titled “Tourism Marketing and Public Policy in Australia: The Case of Brand WA.” This paper is a largely descriptive paper, and discusses a variety of issues related to tourism marketing. Tourism is a big market internationally accounting for 8% of world exports, 31% of international trade in services, 100 million people directly involved, and infrastructural investment of \$ 3 trillion. Therefore, the author suggests that the government should play an active role in the application of marketing practice. The advantages and problems with the Brand WA (Western Australia) campaign which included the well known Australian model Elle Macpherson are discussed.

Although this paper is largely descriptive, it raises a number of theoretical issues that researchers can address. In marketing tourism within a country, individual tourist locations can be considered as competition, but they can also co-operate in order to attract more tourists to the country. Therefore, from a strategic perspective, it might be interesting to develop an integrative framework that incorporates competition and co-operation in the context of tourism. Specifically, determinants of co-operation and determinants of competition can be explored.

From a promotional perspective, it might be interesting to explore alternative ways of building brand image for a tourist location. The author discusses one such mechanism -- using a celebrity. How does the image of a celebrity get translated into an image for the location? Are there any country of origin effects (Elle Macpherson is an Australian)? How do the brand identities of different tourist locations within a country differ and how can this information be used in the framework suggested above? How does the target market respond to different image- building mechanisms? Does the response depend upon whether the tourist is domestic or foreign, and the gender of the tourist? Answers to these questions should help public policy makers in tourism improve

their decision-making. A study of such issues might entail conducting experiments with the different brand building strategies as treatments.

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A MODEL OF SELLER-BUYER PRODUCT DEVELOPMENT RELATIONSHIPS IN TECHNOLOGY-BASED, INDUSTRIAL MARKETS

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ABSTRACT

This paper develops and empirically tests a model of seller-buyer relationships during the new product development process. Our model focuses on seller-buyer interactions during NPD, which revolve around education, product knowledge generation, and joint new product development activities and how they are influenced by several situational characteristics like prior relationship history, perceived buyer knowledge, and product customization. Our model also investigates an important consequence of these activity dimensions: expectations of continuity. In general, we find good support for our hypotheses related to the antecedents. However, mixed results were found for hypotheses relating these activity dimensions to expectations of relationship continuity.

INTRODUCTION

Emerging literature on new product development indicates that the new product development process in high-technology industries is quite different from that in most consumer markets (Workman 1993). In mature industries like consumer goods, new product development (NPD) is usually depicted as a relatively non-interactive process in which sellers play the lead role. Typically, it is sellers who identify unmet needs and then proceed to generate and develop product ideas that are intended to satisfy these needs. In most instances, sellers *unilaterally* proceed through most of the product development process, while individual customers play a passive role in the process, primarily during concept tests and market testing (Gronroos 1990).

In contrast, product development in technology-intensive industries is increasingly characterized by close and frequent interactions between sellers and buyers throughout the product development process (Gertler 1995). In many instances, NPD is better depicted as a *bilateral* process that is embedded in the context of collaborative relationships, even strategic alliances. However, several marketing scholars have expressed concern that there has been relatively little research on seller-buyer relationships during product development in high-technology settings (Workman 1993). Not surprisingly, More (1986) notes that ineffective relationship management during product development is a major contributor to the high failure rates of high-tech industrial innovations. Against this background, this study develops and empirically tests a model of seller-led relationships with buyers during NPD.

CONCEPTUAL MODEL AND HYPOTHESES

Our model is based on an extensive literature review as well as a pilot study incorporating semi-structured field interviews with ten executives in technology-based firms. From this we concluded that seller-buyer interactions during product development revolve primarily around three activity dimensions, i.e., educating potential buyers, generating product related knowledge, and joint new product development. Further, the model posits that these three activity dimensions are a function of several situational characteristics including prior relationship history, innovation discontinuity, technology newness, perceived buyer knowledge, sale importance, and product customization. However, these factors are not expected to influence the activity dimensions in a uniform manner, as depicted in the formal hypotheses we tested:

H1: Prior relationship history will have no influence on (a) education, but will have a positive influence on (b) product knowledge generation, and (c) joint new product development.

H2: Discontinuous innovations (a) will positively influence the intensity of education, and (b) will negatively influence the intensity of product knowledge generation.

H3: The intensity of product knowledge generation will be higher when newer technologies are involved.

H4: When newer technologies are present (a) innovation discontinuity will be higher, and (b) perceived buyer knowledge will be lower.

H5: Perceived buyer knowledge will positively influence the intensity of (a) education, (b) product knowledge generation, and (c) joint new product development.

H6: Perceived buyer knowledge will give rise to increased levels of product customization.

H7: Sale importance will positively influence the intensity of (a) education, (b) product knowledge generation, and (c) joint new product development.

H8: The degree of product customization will rise with sale importance.

H9: Product customization will positively influence the intensity of (a) product knowledge generation and (b) joint new product development.

The final component of our model links the activity dimensions and prior relationship history to expectations of relationship continuity via the following hypotheses:

H10: Expectations of continuity will be positively influenced by the intensity of (a) education, (b) product knowledge generation and (c) joint new product development.

H11: Expectations of continuity will be positively influenced by prior relationship history.

RESULTS

Our model was tested using data from a variety of technology-intensive industries. With the exception of hypotheses related to the direct effect of sale importance on the three activity dimensions (H7a-c) and the effect of buyer knowledge being mediated by degree of customization (H6), our hypotheses dealing with the antecedent factors were supported. Perhaps the most interesting findings of this study are encountered when we examine the impact of the three product development activities and prior relationship history on expectations of relationship continuity. As expected, educational activities and joint new product development had a significant positive influence on continuity expectations (H10a and H10c). Product knowledge generation activities, however, were found to reduce expectations of continuity rather than foster them. While seemingly anomalous, such results may reflect a key strategic implication. Sellers may potentially undertake this dimension to identify desirable product characteristics, the innovation's perceived relative advantage, and/or important positioning attributes and then intend to terminate the relationship.

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PRODUCT CONTINGENCIES AND THE LOCUS OF ENTREPRENEURIAL KNOWLEDGE IN MARKETING CHANNEL NETWORKS

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ABSTRACT

Marketing theory has long studied the locus of a number of functions within a marketing system. Channel theory, in particular, addresses a number of basic questions as to which participants in a marketing channel best manage information and risk. Yet unanswered questions remain concerning which participants in a marketing channel network are most likely to be the sources of knowledge leading to innovative and disruptively entrepreneurial actions. How do the answers to these questions depend on the locus of distinctive facets of entrepreneurial knowledge in an interorganisational system? How do dimensions of the product environment affect the locus of such knowledge? Amit, Glosten and Muller (1993) assert that "the role of the entrepreneur is to initiate uncertain environments" and, thus, "the entrepreneur is the one who assumes the uninsurable uncertainties" (p. 825). This definition, in effect, essentially construes all marketing decisions as entrepreneurial acts simply because there may be uncertainty about the probabilities of outcomes. According to Cadeaux (1997a), entrepreneurial *actions* in marketing, more properly, should only include those market transforming introductions and deletions of products and services and those selections and deselections of target markets that "create substantial shifts in arrangements of products across arrays of customers and customer uses" (p. 769). It is possible to define entrepreneurial *knowledge* (in marketing) as the understanding and anticipation of the dynamic effects entrepreneurial actions can have on market structure and its evolution (Cadeaux 1997a following Dickson 1992).

A contingency theory approach can address how the effectiveness of interorganisational coordination depends on environmental conditions. It can examine how the behaviour of channel members individually and jointly takes into account extra-organisational or environmental influences. A marketing channel network consists of suppliers and intermediaries of various sorts, occupying various institutional or functional positions as well as various structural positions (a distinction discussed further by Cadeaux 1997b). Environmental contingencies may be associated with the value of different types of information in a marketing channel. For example, Cadeaux (1992) argues that "volatility" in product item availability from suppliers affects the relative value and importance of supply information, while volatility in sales affects the importance and value of customer information. In addition to the dimension of *product item volatility* (as conceptualised in Cadeaux 1992), this paper adds the dimensions of *product line complexity* and *product specification standardisation*. The paper presents a contingency theory illustrated in a parsimonious set of five basic propositions to show how these three distinct dimensions of the product environment might explain the loci of entrepreneurial knowledge across functional and structural positions in a channel network.

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EMERGENT PROPERTIES OF INTERORGANIZATIONAL BUSINESS RELATIONSHIPS: AN EXPLORATORY CASE STUDY OF SWEDISH SMEs**

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ABSTRACT

This case study investigates how six SMEs use and utilize interorganizational business relationships to do business. Three significant properties of IBR:s emerge; Promise/Fulfillment, Time-Orientation and Trust. This paper maps these properties and suggests that they are socially embedded and subject to sensemaking.

INTRODUCTION

When entrepreneurs and managers of small and medium sized enterprises (SMEs) are questioned about how they do business, they invariably mention diverse relationships. The main problem under investigation in this study could be formulated as:

- * How do managers/entrepreneurs of SMEs interact in relationships to do business?

Hence, the purpose is to describe the relationships of SMEs in order to illustrate how managers/entrepreneurs of SMEs develop them to do business. The overall purpose is to create a platform of understanding and knowledge in order to enable further investigation of these phenomena.

INTERORGANIZATIONAL BUSINESS RELATIONSHIPS

This paper focuses on business relationships (Grönroos 1994; Håkansson and Snehota 1995) as interorganizational relationships (IOR:s), (Ring and Van de Ven 1994). In addition, there is a strong emphasis on the *business* aspects of the IOR:s, enhancing the business side of the relationship. Thus, the *interorganizational business relationship (IBR)* aims at some form of market exchange (the business side) through interorganizational interaction. The interaction takes place in a relationship between two individuals, each representing a business enterprise.

THE NOTION OF SMEs

The foci of this study are SMEs. In this paper an SME is identified as an enterprise with no more than 200 employees (Johannisson and Lindmark 1996). Furthermore, it cannot have a substantial part of a market or be dependent on another firm. Cases for this study were chosen among firms who had been present on their market for the past five years, were managed by one or more owner(s)/manager(s) and were autonomous in the decision making. Expansion is defined as either one or a combination of the following:

- An increase in profit of minimum 10% over the past three years.
- An increase in annual turnover of minimum 10% over the past three years.

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METHODOLOGY, MATERIALS AND STUDY DESIGN

The overall approach of this study is inductive and exploratory and may be characterized as a naturalistic inquiry (Lincoln and Guba 1985). Following the nature of the problem and the purpose, an empirical investigation of expanding SMEs was performed through a case study design (Yin 1994). A case study design may be used when it is of interest to cover contextual conditions which might be pertinent to the phenomenon under investigation (Ibid.).

In consequence of the approach of the study, the focus of the investigation is on the empirical phenomenon of IBR:s as they are illustrated by the material. The key respondents have been identified as the managers of the SMEs. The data were collected by means of qualitative interviews. Each interview lasted for approximately 90 minutes and was semi-structured. All interviews were taped and printed and controlled by the respondent for further clarification and correction. The data were analyzed with a computer based tool called NUD*IST. The analysis-section comprises a descriptive analysis of the three relationship variables of SMEs as a consequence of their emergence from the empirical data-material.

A General Description of the Enterprises in This Study

The first enterprise, CHING is a service organization providing consultancy in chemical engineering. It operates internationally and employs approximately 100 individuals. The second enterprise, SPORTS, is a trading company dealing in sporting goods. It has 12 employees. NAIL is also a trading company, dealing in construction material. The employees number are approximately 25. The fourth enterprise, MINE, is a service organization providing services in the area of mining and mineral-extraction, employing approximately 15 individuals. NOBE, is a manufacturing company making computerized measuring equipment for manufacturing processes. It has 110 employees. The last enterprise, BORG, is a service organization providing services to the construction industry, employing 40 individuals.

ANALYSIS

At the outset of the study, some aspects of interorganizational business relationships (IBR:s) emerged from the data. The managers of the enterprises expressed the importance of what was offered to the customers, i.e., what they promised and how they could fulfill this promise. Another significant aspect was the duration of the relationship. Long-term relationships were actively sought by some of the managers. The trust aspects of relationships were also emphasized by the managers as vital when doing business with other actors in the business environment. Accordingly, IBR:s are viewed through these three properties and the analysis will be performed with a general description of the data-material according to these three variables of the IBR-dimension in order to indicate interesting patterns.

Promise/Fulfillment

This variable concerns the degree to which the managers fulfill what has been promised. In essence, this pertains to what the enterprise *offers* its customers. Usually, this is related to such aspects as function and quality. Prompt deliveries and the ability to solve problems are of major importance. Being able to respond quickly and to solve problems at short notice are common features for these SMEs. Many of the SMEs mention an attribute which seems to be common to them all: The importance of offering a high "degree of service" which encompasses such features as meeting deadlines, quick responses and good quality. The Promise/Fulfillment variable does not pertain only to the customers. There are examples of SMEs who refer to the importance of being able to negotiate prices with the supplier in order to maintain a low price to their customers, in their turn. Thus, the Promise/Fulfillment variable may be related to customers through suppliers.

Time-Orientation

This variable pertains to the duration of the interaction with other actors in the business environment of the SME. The relationships of SMEs may differ in nature, some are developed over a long period while there are also some short-term

relationships. Many of the enterprises emphasize the importance of long-term relationships. Initially, a firm takes it easy, in order to get to know agents and discover whether they are competent. If so, the relationships may develop and become established over time. Thus, the short-term relationship is described as a failure in the attempts to build long-term relationships. However, this may not always be the case. Some short-term relationships are intentional and successful. One manager of a trading company says that the important relationships with customers are rarely long-term. There are other examples of managers who mention the significance of the duration of relationships. One manager said that the network relationships developed during 50+ years were the foundation of his firm's business today.

Trust

It is evident from the empirical data-material that the notion of trust is intimately connected to the concept of business relationships. The notion of trust includes such features as working with agents, creating and maintaining a reputation in the industry and using other actors as references. Many of the SMEs in this study use agents to sell their products. Their relationships are usually characterized by a high degree of trust between the parties. If not, they tend to decline and are finally terminated. Trust is also used to nurture the reputation of the enterprise. Many of the SMEs use former customers and projects as references for potential customers. One enterprise which had collaborated with Dupont benefited greatly from earlier projects. It is also common for the SMEs to create customer loyalty through earlier jobs well done. This may compel the enterprise to treat a small firm seriously as it may turn into a large customer in control of a million dollar project. Trust is also important in other relations than those with customers. One SME, for example emphasized the importance of trust in their dealings with their bank. They were planning a project and presented a plan to the bank which gave them financial support. However, the plans proved to be too optimistic. So they did not use the loan from the bank; they made another appointment with the bank, explained the situation and presented as accurate information as possible. The bank let them keep the credit and they resolved their difficulties. It is important to build trust and ensure that it is earned. It takes years to create trust and earn a good reputation, but it could be eliminated by a few mistakes.

EMERGING PROPERTIES OF BUSINESS RELATIONSHIPS

This section deals with the patterns which have been identified through the analysis of the enterprises along the IBR-dimension.

Promise/Fulfillment

The analysis of the enterprises of this study demonstrated that both material incentives and social relations are used by SMEs as governing structures of business exchange. What is promised may be highly dependent on the social structure in which the relation is embedded (Granovetter 1985). Furthermore, whether or not this promise is fulfilled, is judged by an actor engaging in social interaction in terms of business relationships and may, thus, be interpreted subjectively. This seems to be the case with MINE in this study. The firm had problems insofar as its customers perceived their products in ways which did not correspond to MINE. Hence, where the Promise/Fulfillment variable is subject to influence from social relations there seems to be a greater risk of misinterpretation and misunderstanding between the parties. Where the Promise/Fulfillment variable is governed by material incentives, there is a minimum risk of misunderstandings, since the governing structure itself decides on the promise and its fulfillment. In some cases customers had no wish for a relationship with the enterprise, but were interested in price and performance. This was made explicit in this study by NOBE who had such an experience. This type of business exchange is seen as dependent on the market exchange rather than on the socially embedded business relationship, as opposed to the case of co-operation. These findings seem to support the argument of Scarbrough (1995) and Bradach and Eccles (1989) that business relations are never governed solely by economic exchange or by social control. This may help us to comprehend why misunderstanding and dissatisfaction sometimes occur in market transactions. The reason may be that these market transactions are not free from and independent of social interaction.

Market transactions and co-operation are both considered as IBR:s but as different in type and in characteristics. Furthermore, the mechanisms governing and controlling both the existence and the development of the relationship differ

substantially. Hence IBR:s in terms of market transactions possess a social dimension. However, this is not stressed, rather, the emphasis is on the transaction *per se*. The governance mechanism controlling the market transaction is of an economic nature. On the other hand, IBR:s in terms of co-operation emphasize the social dimension and are mainly controlled by social governance *mechanisms*. There is a significant distinction between governance *structure* and governance *mechanisms*. The governance mechanisms are seen as processes rather than static structures, thus distinct from the concept of governance structures. In essence, this implies that a market transaction may be influenced by social dimensions just as co-operation may be influenced by economic considerations and the control mechanisms are developed through the exchange process rather than a pre-existent phenomenon.

Time-Orientation

Time-Orientation denotes the temporal duration of the relationship. A business relationship may assume different shapes where the time-orientation is one feature among others. The enterprises of this study indicate that the Time-Orientation variable is of significance. Some of them, such as NOBE, deliberately seek long-term relationships with their customers, while others are more nuanced with a focus on short-term relationships as well. None is explicitly focused only on short-term relationships. This may be related to the discussion earlier where the duration differentiates between relational transactions pertaining to economics and from those concerned with social contracts (Dwyer, Schurr and Oh 1987). An interesting pattern emerges insofar as it would seem that both NAIL and SPORTS concentrate on relational exchange pertaining to economics and social relations simultaneously. This corresponds to Hennart's (1993) argument that market exchange consists of a mixture of market transactions and hierarchy. The concept of commitment is an essential part of long-term relationships (Gundlach, Achrol and Mentzer 1995). According to Dwyer, Schurr and Oh (1987, p. 19), commitment is defined as "an implicit or explicit pledge of relational continuity between exchange partners." Due to the focus on relational continuity, the notion of commitment is strongly associated with the Time-Orientation variable in this study. Furthermore, their commitment prompts actors to make short-term sacrifices in order to promote longer-term benefits (Gundlach, Achrol and Mentzer 1995). This can be identified among the enterprises in this study. NAIL, for example, initially developed some relationships with suppliers which were later terminated in favor of other longer-term relationships with other suppliers.

Trust

All the enterprises in this study build trust through their business relationships. However the trust must be founded on a perceptible attribute which can be exploited by the enterprise. In many of the SMEs in this study, this attribute consists of high quality and a high degree of service to their customers. This creates a core around which trust may be built. This is in conjunction with Sanner's (1997) conceptualization of trust, where three different bases for trust were identified; person-based trust, enterprise-based trust and institution-based trust. As mentioned above, all the enterprises in this study build trust by means of their business relationships. However, there are differences between them concerning *how* trust is built. CHING, NAIL and SPORTS rely on all three types of base for trust as conceptualized by Sanner (Ibid.), but with a focus on the enterprise-based. Some of the other enterprises, on the other hand, seem to rely mainly on person-based trust. Enterprise-based trust is rare among these enterprises. In BORG and MINE, trust seems to be built mainly on personal contacts, while CHING, NAIL and SPORTS base their trust not on personal relationships but rather on a reputation in the industry for high quality and competence. This type of enterprise-based trust is accentuated. Following Sanner (Ibid.), this type of trust is related to the organization itself, to the characteristics of its products such as quality, accuracy, and timing, and to financial resources. The quality aspect of enterprise-based trust is strongly emphasized at CHING and NAIL.

RESULT AND IMPLICATIONS

The findings of this study indicate that market exchange relationships incorporate both economic and social control mechanisms, as suggested by Granovetter (1985). However, the social governance mechanisms seem to be emphasized. The significant environment of the enterprise is determined by its interorganizational business relationships. This study shows that Promise/Fulfillment, Time-Orientation and Trust are significant properties of IBR:s. Furthermore, these properties are socially embedded (Ibid.) and subject to sensemaking (Weick 1995). In order to investigate the extent to which properties of IBR:s are

subject to sensemaking there is a need for further research with a longitudinal approach. This would also enable a focus on the development of IBR:s over time along the dimensions suggested in this study. The relevant environment of the enterprise is socially constructed (Berger and Luckmann 1966) and subject to sensemaking as it is created by the properties of IBR:s. The findings of this study imply that the socially constructed and enacted environment set the outer limits on the possible expansion of the enterprise. This environment is the *business space* of the SME. However, these findings should be considered as preliminary. Further investigation is needed in order to establish possible causal relationships. This approach should preferably be quantitative in order to generate significant conclusions about potential causal relationships. In any circumstance, the findings of this study indicate some aspects of how SMEs do business which seem to require further research. Managers of the enterprises referred to the importance of what was offered to the customers, viz., what they promised and how they could fulfill their undertakings. Another significant aspect was the duration of the relationship. Long-term relationships were actively sought by some of the managers. The trust aspects of relationships were also emphasized by the managers as important when doing business with other actors in the business environment. Consequently, I propose:

P1: The Promise/Fulfillment feature of IBR:s is significant and important in generating understanding of how SMEs use their business space to do business.

P2: The Time-Orientation feature of IBR:s is significant and important in generating understanding of how SMEs use their business space to do business.

P3: The Trust feature of IBR:s is significant and important in generating understanding of how SMEs use their business space to do business.

These propositions may function as a starting point for further investigation of the phenomenon of business relationships in SMEs and how they are used to generate business.

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THOUGHTS ON AN OLD THEME: ENTREPREURSHIP AND ORGANISATION

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ABSTRACT

This paper is concerned with the concept of entrepreneurship in the large and complex business corporation with its network of management and organisational processes. Although, therefore, it fully recognises the significance of individual talents and dynamism as entrepreneurship characteristics - often associated with charismatic, risk-bearing founders of firms - it emphasises entrepreneurship as a process and then asks where it is located.

The question is answered in two ways. In the first instance, since entrepreneurship is concerned with determining the direction of an organisation through its product-market range, it can be identified with the formulation of strategic decisions. To find the focus of entrepreneurship is to locate the strategic decision function: they are one and the same thing.

Secondly, entrepreneurship as thus understood is not to be found in only one person or in only one spot in the enterprise. To use the term coined by the British economic historian Bernard Alford, there is 'diffused entrepreneurship'. As he put it: 'the greater the range and/or complexity of goods produced (and this includes the number of markets served) the more dispersed the determinants of a company's strategy are likely to be.' (Alford 1976). And along somewhat similar lines, James Quinn quotes an executive in General Motors: '*The strategy [of the company] may not even exist in the mind of one man. I certainly don't know where it is written down. It is simply transmitted in the series of decisions made.*' (Quinn 1980).

In stating those propositions, the argument of the paper is not that there are no major entrepreneurial individuals. It does not substitute the magic word 'process' for the idea that it is persons, not organisations as such, who make decisions. But it focuses particular attention on the strategic process and the inputs contributed to that process by numbers of (senior) members of an enterprise: hence it also raises the question of devising organisational structures which can take advantage of the inputs of individuals and turn them into business propositions.

These conceptual points have a number of applied implications:

- (a) entrepreneurship is not only a matter of making strategic choices in products and markets: it also involves creating the organisational and informational systems which are capable of making these choices effective. This is the more so because strategy (entrepreneurship) is a continuing process which is developed through time.
- (b) in a rapidly changing world and one in which it has been argued that there is a significant tendency towards decentralisation within large enterprises, the need to see managers as having an entrepreneurial task - implicit in the idea of diffused entrepreneurship - is reinforced. Development in informational technology is an important factor in this decentralisation, it permits better measurement. (Note also, the interest in intrapreneurship and management buy-outs).
- (c) entrepreneurial decisions disturb the organisation's established assumptions and paradigms: they arise from and reflect disequilibrium in product and factor markets. If the picture of (senior) managers as part of organisational entrepreneurship is correct, managers in the decentralised enterprise have to be able to make choices of business focus and not only of implementation of strategies determined by others. They have thus to cope with the ambiguity and uncertainty of disequilibrium: this says something of consequence about the direction of management education and development in academic institutions and in business itself.
- (d) the test of entrepreneurship lies essentially in market performance and it is perhaps a defining characteristic of the most senior members of the enterprise that they should have the most distant horizons. To see a possibility, to invent a product, is an intelligence or research activity: to attack the market, to create the team and means of success, is what makes entrepreneurial behaviour. But the innovative entrepreneurial spark may be lit not only in the marketing function but also in a variety of functions/department within the enterprise (Foxall and Minkes 1996).

DEALING WITH PERIODS OF TENSION IN BUYER-VENDOR RELATIONSHIPS

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ABSTRACT

The construction and maintenance of successful relationships between retail firms and their vendor suppliers have frequently been suggested to be a source of competitive advantage for a retail organization. However, all relationships experience periods of tension that must be dealt with if the relationship is to survive and continue. This research employed a perspective and methodology commonly used in personal relationship literature to examine how successful buyer-vendor relationships deal with periods of tension.

Four retail firms from different sectors of the retail industry agreed to allow a set of their buyers to be interviewed for this research. Thirty buyers, representing over 305 years of buying experience, were interviewed during the course of the research. Data were gathered through semi-structured depth interviews similar to those used in consumer research. All interviews were audiotaped, transcribed, and checked for accuracy. Since this research was interested in successful buyer-vendor relationships, the buyers were asked only about experiences as they relate to a successful relationship. Grounded theory procedures described by Strauss and Corbin (1990) provided the framework for data analysis.

The process of analysis identified fifty-eight periods of tension from the thirty transcribed interviews. Analysis of these periods and how the buyers dealt with them identified two key dimensions underlying the individual coping strategies employed. The first dimension deals with whether the strategy calls for action by both parties or only one of the parties. The second dimension is associated with whether the coping strategy is trying to deal with tension based upon exchanges that have already occurred or are going to occur in the future. The strategies were labeled reframing, compromise, segmentation, and temporary acceptance. The last of these is unique to this research and has not been previously identified in either personal or marketing relationship literature.

The implementation of an temporary acceptance strategy is generally a court of last resort. If other attempts to deal with a particular tension situation have failed or only partially succeeded, a buyer may resign him- or herself to simply accepting the situation for the present and doing whatever is necessary to keep the relationship with the resource firm in place. But as the label suggests, this strategy represents only a temporary solution and the buyer will renew his or her efforts to deal with the root cause of the tension at a future date. Segmentation strategies imply that only one of the parties has to take some kind of action to cope with the tension being experienced and that the basis for the tension arises from exchanges that have already occurred. While only one of the parties has to take action to deal with the tension, the course of action may be proposed by the other party. It is common for the buyer to suggest a particular course of action to the vendor, and implementation of this suggestion may be encouraged through the use of overt or covert "pencil pressure." The use of a compromise strategy would frequently take place if a segmentation strategy proved to be unacceptable to the party required to perform a particular action. Then both parties would try to find a mutually satisfactory way to deal with the tension arising from a past exchange. Reframing strategies require action from both parties and create a new standard for interaction between the parties. This strategy is especially important in maintaining a successful relationship in the face of reducing the relationship scope. This type of strategy can also be usefully employed when trying to build a new resource into a more significant resource for the firm.

The choice of a coping strategy appears to be based upon a careful assessment of the individual situation, accounting for both retailer and vendor factors which may affect the strategy choice. Two additional aspects of how retail buyers cope with tension are important to note. First, the buyers appear very ready to enlist the aid of others in trying to cope with the tension. These others could be individuals from either their own organization or the vendor representative's organization. Second, buyers are frequently willing to make multiple attempts at finding a way to manage the tension experienced in the relationship.

ANOMIA AND FRAUDULENT BEHAVIOR BY RETAIL EMPLOYEES

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ABSTRACT

Anomia describes the individual's lack of integration in social life. The construct has been linked to various types of activities and concepts but no research appears to have been undertaken linking it to fraudulent behavior. The literature on anomia and fraudulent behavior are examined, measurement instruments are identified and a survey is carried out among employees of a large retail chain. The psychometric properties of the instruments are confirmed and evidence of a link is provided. The implications for managers and theory are considered, limitations are noted and directions for future research are indicated.

INTRODUCTION

US retailers are reported to lose between 0.5% and 2% of revenues to employee, customer, vendor and other forms of fraud (Albrecht, McDermott and Williams 1994). Despite its financial significance, the aspect of fraudulent behavior has received only limited attention in the marketing literature (Colw 1989; Muncy and Scott 1992; Jolson 1974; Zabriskie 1972, 1973; Wilkes 1978). As Cole (1989) points out, there is a need to develop a theoretical perspective that allows us to explain, predict and manage levels of retail deviance. Anomia, which describes the individual's lack of integration in social life (Srole 1956), has been extensively used in the sociological and psychological literature to explain deviant behavior. It has been linked to various deviant and other outcomes including: criminal behavior (Edwards 1996); alcoholism (LaForest 1975); and employee turnover (Taylor and Zimmerer 1992). Surprisingly, a review of the marketing literature revealed that the anomia construct has not even been considered, much less linked to fraudulent behavior. This study focuses on the effect of anomia on attitudes towards various fraud situations in the retail sector. Research is conducted to measure the levels of anomia and perceptions of fraudulent behavior among a sample of employees of a major national retail chain. Results are reported, implications are drawn and suggestions made for ongoing research.

ANOMIA AND ANOMIE

Etymologically, anomie comes from the Greek "anomia" and literally means "the absence of law." The word has been variously used. Thus, it represents ruthlessness in *Euripides*; anarchy and intemperance in *Plato*; sin and wickedness in the *Old Testament*; and relatively more recently as a human condition of instability. The latter represents Durkheim's reconceptualization of the construct from the earlier work of a fellow French philosopher, Jean Marie Guyau (Orru 1987). Durkheim (1893) was preoccupied with order in society. He highlighted the concept of individuality while noting, in his work with suicide, that it is these very individual freedoms that can lead to anomie. In his theory of anomie, he viewed morality as being of a social nature that exists externally to the individual and constrains personal behavior. Society is seen as the source of morality and the individual has no choice but to obey the rules of conduct prescribed by society. Durkheim argues that "all rules of conduct whose transgressions are sanctioned are moral rules" and acts left to individual discretion would be by definition outside the realm of morality. Anomie describes any form of deregulation or lack of cohesion that society may suffer from. Durkheim is critical of what he considered the ill-conceived cultural objectives of industrial societies, questioning the prevalent value system and its ability to sustain cohesion. In contrast, later researchers have tended not to question the basic goals of society as these were widely accepted. They have been more concerned with the consolidation of industrial societies.

Two main streams of theory on anomie developed in the American literature. Robert Merton (1957) emphasized the social-structural aspects of anomie while Leo Srole (1956) focused on the psychological characteristics of anomie. In his theory, Merton was not concerned with the anomie that results from unclear definition of cultural goals but from anomie that arises because of the gap between cultural goals and institutional means. He was particularly concerned with the characteristics of American society with its disproportionate emphasis on cultural goals (such as the American dream, wealth and power) over institutional means. It

is the culturally-induced pressure to be successful that results in the ensuing anomie and raises the possibility that certain social groups engage in rule-breaking behavior. Merton lists five types of adaptation that can take place: conformity, innovation, ritualism, retreatism and rebellion. Therefore, unlike Durkheim, the ends are acceptable and it is the adaptation that is the problem. For Durkheim, the ends themselves are the problem. As a result, much of the research reported in the American sociology literature has tended to focus on various types of illegitimacy adjustments.

MacIver (1950) defines psychological anomia (or anomy as he calls it) as “the breakdown of the individual’s sense of attachment to society.” Contrary to Merton who argues that anomie arises exclusively from capitalistic competitiveness where “those who having lost their ethical goals...transfer this drive into extrinsic values to the pursuit of means instead of...ends, and particularly to the pursuit of power.” MacIver (1950) highlights two additional aspects. First, the issue of culture clash represented by “those who having lost...any system of value...having lost the compass that points their course into the future, abandon themselves to the present.” Secondly, rapid social change represented by “those who have lost the ground on which they stood, the ground of their former values.” Srole’s (1956) psychological theory of anomia builds on the work of MacIver but focuses on the individual level. To distinguish anomie at the psychological level from that at the sociological level, Srole used the term anomia. He identifies five dimensions of anomia that he operationalized into a five-item scale. At a macro level, Srole’s theory of anomia looks at social integration, and anomia describes the individual’s loss of values coupled with rapid social change that result in a person’s lack of integration in modern social life. At the micro level, the scale he developed seeks to determine the individual’s level of integration with the social system. Srole’s scale is the most widely used measure of anomia in the social sciences. Srole improved the original five-item scale with the addition of a further four items (cf. Robinson and Shaver 1973). The resultant nine-item instrument was adopted in 1973 and in subsequent years for use in the annual General Social Survey of the US National Opinion Research Center. Dodder and Astle (1980) made use of the data from the 1973, 1974 and 1976 national surveys generating a total sample of 4487 respondents. They found that, while on their own the original five-item scale is unidimensional, the nine items reveal a two-dimensional construct whose factors the authors label: “valuelessness” and “cynicism.” Presky, Atilano and Hawkins (1981) use longitudinal data among a sample of 58 rural women to compare the internal stability of the Srole scale with the enlarged nine-item scale. Three-year test-retest correlations obtained for both instruments were 0.45 and 0.56 respectively, indicating higher reliability and stability for the nine-item scale. Perhaps more important are Dodder and Astle’s (1980) findings that the nine-item anomia scale provides stronger correlations with “virtually every variable” grouped under the three headings of Demographics, Satisfaction and Social Involvements; headings that together make up 31 variables that are traditionally associated with anomia. For example, those with higher levels of occupational prestige, higher levels of education, higher levels of income and more satisfactory finances are associated with less anomia. On the other hand, dogmatism which refers to the degree of flexibility of values has been identified as an antecedent variable and results in higher levels of anomia (cf. Rosenthal 1975). The ability to identify these antecedent variables can be particularly useful in profiling individuals susceptible to fraudulent behavior. In terms of outcomes, the construct has been linked to employee turnover (Taylor and Zimmerer 1992) and more particularly to criminal behavior (Edwards 1996) and alcoholism (LaForest 1975). These latter types of deviant behavior may indicate that anomia may be linked to fraudulent behavior in retail situations.

FRAUDULENT BEHAVIOR AND RETAIL EMPLOYEES

Retailers are confronted with various types of fraudulent behavior, all with equally detrimental effects on revenue. While fraudulent acts committed by consumers attract the most attention, deviant behavior by retail employees is an equally and scarcely researched problem. Utilizing some of the items employed by Jolson (1974), Wilkes (1978) developed a 15-item instrument that considers different aspects of the consumer attitude to fraudulent behavior. Wilkes also used these items to determine the perceived seriousness of the different situations described by each question. His research was carried out among 290 middle-class females. The results indicate that not all activities are viewed equally negatively with few being seen as categorically wrong. He also noted that respondents do not view the activities indicated by the items as rare phenomena. Muncy and Scott (1992) build on the work of Wilkes by addressing the issue of fraudulent behavior from an ethics perspective that focuses on consumers rather than corporate behavior. They define “consumer ethics as the moral principles and standards that guide behavior of individuals or groups as they obtain use and dispose of goods and services.” Their main contribution is the development of a 20-item instrument with the necessary psychometric properties that captures consumer attitudes to fraudulent behavior. The development of the instrument was

undertaken in two stages. Initially 27 items, including 12 of the activities identified by Wilkes, were tested with a broad sample of US respondents. The results indicated a construct of four factors each containing five items that they label: "Proactively benefiting at the expense of the seller," "Passively benefiting at the expense of the seller," "Deceptive practices," and "No harm/no foul." In the second stage, the resultant 20-item questionnaire is tested once more with another sample and confirmatory factor analysis provides support for the hypothesized four-factor structure. Analysis of demographic data indicated that attitudes to fraudulent behavior were positively correlated with age but negatively correlated with levels of income and education.

OBJECTIVES, INSTRUMENTS AND RESEARCH

In line with the work of previous writers (Durkheim 1893; Merton 1957; Srole 1956), it is expected that the level of anomia inherent in individuals is a significant predictor of fraudulent behavior. This research sets out to investigate this relationship among a sample of employees from a national retail chain. To measure anomia, the nine-item instrument, which is an elaboration by Srole of his original five-point measure, has been used. This scale is described by either-end descriptors that range from 1 (Strongly disagree) to 7 (Strongly agree). The higher the sum of the scale, the higher is the individual's level of anomia and therefore the lower one's lack of integration with the social world. The attitude to fraudulent behavior is measured using Muncy and Scott's (1992) 20-item instrument. This has been changed by the removal of items 4, 10, 13 and 14 as these did not lend themselves to the retailing situation. Seven-point scales were used described by 1 (Not wrong at all) and 7 (Very wrong) at either end. The higher the score on this scale, the less open is the individual to fraudulent behavior. A number of classificatory variables were also collected together with a 10-item version of the dogmatism scale (Troidahl and Powell 1965) to test for construct validity. Arrangements were made with the management of a major retail chain to enable the distribution of the instrument among a sample of store employees. 300 questionnaires were randomly distributed. Each respondents received the questionnaire, a covering letter that guaranteed the anonymity of the information and highlighting the point that employees did not need to put down their names, together with a postage-paid envelope that would enable the return of the questionnaires direct to the researchers. By the cutoff date, two weeks later, a total of 102 valid replies were received providing an effective response rate of 34%.

ANALYSIS

The average number of years in employment was 6.8 years, 79% of respondents were female, and the modal age (26.5%) was the 20-to-25 year old category. These parameters were in line with those of all employees of the retail chain. (Details of the items used with means and standard deviations are available from the authors.) The sum of the items for the two constructs exhibited normal distributions with means of 36.5 and 81.7 for the anomia and fraudulent behavior constructs respectively. At 0.80 and 0.91 the Coefficient Alphas for the anomia and fraudulent behavior constructs were greater than 0.70 and therefore acceptable (Nunnally 1978). To further establish the psychometric properties of the instruments, the validity of the two constructs was investigated. Nomological validity entails investigating both the theoretical relationships and the empirical relationships between constructs. This is often done by looking at correlation coefficients (Peter and Churchill 1986). The correlation of dogmatism with anomia and fraudulent behavior was computed, and, in line with theory, the sum of the dogmatism scale was found to be significantly related to that of anomia ($r=0.40$; $p<0.001$). However, there is no evidence from the literature for a link between dogmatism and fraudulent behavior, and none was found ($r=-0.10$). Further evidence of nomological validity comes from a factor analysis, and is indicated if items expected to load together actually do so (Carman 1990). Principle component factor analysis followed by a varimax rotation confirmed an identical factor structure to that reported in Dodder and Astle (1980), who label the two dimensions "Cynicism" and "Valuelessness" respectively. Factor analysis for the slightly modified scale for fraudulent behavior also resulted in the factor structure reported by Muncy and Vitell (1992). These authors use a continuum based on the gravity of the activity to describe the fraudulent behavior factors considered by their instrument. They start with the most serious activities that they label "Proactively benefiting" and proceed to "Passively benefiting," "Deceptive practices" and "No harm/no foul." Discriminant validity is indicated in a factor analysis when the factors and their items are found to be truly different from one another (Carman 1990). The items for the measures of the two constructs were factor analyzed simultaneously and the results show that these load on two separate factors providing evidence of discriminant validity. (Table with factor analysis is available from the authors.)

Having established the psychometric properties of the two instruments, the relationship between the two constructs was investigated. Correlations between the sum of the anomia and fraudulent behavior constructs indicate no relationships ($r = -0.09$). However, consideration of the factors in the fraudulent behavior scale indicates that it is the first dimension that is by far the most serious. To investigate the relationships between the dimensions of the two constructs, factor regression scores were generated from the factor analysis. The correlations of the orthogonal regression scores for the dimensions of anomia and fraudulent behavior indicate a relationship between the “proactively benefiting” dimension of fraudulent behavior and the “valuelessness” dimension of anomia. A regression approach was used to model the relationship between the “proactively benefiting” dimension as the dependent variable and the “valuelessness” dimension as the independent variable. The result provides a small but significant adjusted R^2 of 0.032 ($F = 3.98, p < .05$). The standardized beta coefficient with a value of -0.21 confirms a negative relationship between the two dimensions. A look at the wording of the “valuelessness” items indicates that these items are negatively worded confirming that the higher the perceptions of valuelessness, the lower the perceived wrongfulness of acts that proactively benefit offenders at the expense of the retailer.

DISCUSSION

Anomia is an important variable that has not been previously considered in the marketing literature. This research provides tentative support that a dimension of anomia can contribute to our understanding of the more serious types of fraudulent behavior. The effect of this construct together with others from the sociological and psychological literature could offer useful insights in explaining fraudulent behavior and in building a useful theoretical framework. Better understanding in this area could also enable retailers to take effective preventative action against employee and customer fraud. Much of the research on fraudulent behavior focuses on consumer fraud from the retailer’s perspective. This study takes a somewhat unique perspective by investigating the perceptions of retail employees about fraudulent behavior. Many programs that are put into place by retailers seek to counter fraud by focusing on activities of purchasers. For example, Albrecht, McDermott and Williams (1994) argue for fraud prevention by buyers and suggest a model that includes: prevention programs, incident reporting action, analysis, implementation of controls, and proactive fraud auditing. This study indicates that as part of this or similar programs, retailers must also ensure that they recruit persons who do not condone such behavior. The ability to identify antecedents to fraudulent behavior can be particularly useful if these are linked to key personality traits and even demographic characteristics. Thus anomia has been linked to an array of variables that include demographics such as age, work status and race; satisfaction with life; health and friends; social involvement such as interaction with friends and church; as well as personality predisposition like dogmatism. The latter is also confirmed in this study. A clear understanding of the relationships could therefore provide a useful tool that could help screen individuals during recruitment.

The research has a number of limitations. The most salient is that although a statistically-significant relationship has been determined, this is fairly small. Such a result could well be a consequence of the survey methodology, and a stronger relationship may result, particularly if respondents’ attitude to fraudulent behavior could be better collected in a less-intrusive manner. As it was, the questionnaires reached respondents through the internal mail of the retail chain and this may have induced employees to “play it safe.” Steps were taken to minimize this in terms of assurance of anonymity and by the provision of postage-paid reply envelopes addressed directly to the researchers. Notwithstanding, it is possible that this has colored respondent replies, and a stricter view of fraudulent behavior was taken than may otherwise be the case. Unfortunately, it was the only way access to such employees could be obtained as independent access to the human resources database of the national retail chain was not made available. It may also be that because respondents are employed by a major retailer, they may consider examples of fraudulent behavior in a more severe way than would be the case for the consumer in general. In this respect, it is to be pointed out that the wording of the fraudulent behavior questionnaire is very much focused on what retail employees think about fraudulent behavior by customers. This may, in part, explain the low relationships found between anomia and fraudulent behavior. The limited size of the sample must be borne in mind, and a stronger relationship between the constructs may be possible with a larger sample. Finally, generalization of findings to consumers and particularly across countries must be done with care since attitudes to fraudulent behavior are likely to vary by culture.

Future research could focus on developing a measure of fraudulent behavior that focuses more on activities that proactively benefit offenders to the detriment of retailers. This study only considers the role of anomia on fraudulent behavior, and it is clear that there are other antecedents that impact fraudulent behavior. An interesting antecedent to consider is that of conflicting social states involving, for example, employees with a high education but a low wage or the case of attractive retail employees

working on the cosmetics counters but earning little. Research could also focus on cross-cultural comparisons to determine the extent to which the same fraudulent acts are perceived differently and whether relationships established in one culture are generalizable to others. Fraudulent behavior is a wider concept than just retailing fraud, and can be seen to be a quantum of individual ethics. Thus, another area of research could be to investigate the effect of antecedent variables, including anomia, on such other aspects of fraudulent behavior as student malpractice, that includes plagiarism and exam/test cheating, to determine whether the same relationships also exist in this and similar domains.

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Table 1: Factor analysis of the anomia and fraudulent behavior constructs to test for validity

Item	Cynicism	Value- lessness				Fraudulent behavior	Anomia
1	.09	.62				-.03	.48
2	.21	.66				-.09	.61
3	.14	.67				-.04	.56
4	.16	.63				-.03	.55
5	.74	.27				-.01	.68
6	.17	.64				-.01	.58
7	.78	.12				-.04	.59
8	.84	.05				-.03	.60
9	.61	.34				-.06	.63
			Proactively Benefiting	Passively Benefiting	Deceptive Practices	No harm/ No foul	
10			.09	.82	.19	.09	.58
11			.20	.88	.12	.07	.62
12			.45	.79	.08	.05	.67
13			.43	.42	.39	.14	.69
14			.60	.40	.26	.14	.74
15			.88	.19	.23	.20	.82
16			.87	.21	.18	.21	.80
17			.62	.26	.40	.34	.81
18			.54	.17	.68	.14	.79
19			.35	.09	.73	.17	.66
20			.13	.20	.85	.16	.68
21			.20	-.02	.11	.78	.48
22			.09	.15	.03	.81	.49
23			.21	.03	.32	.78	.62
24			.11	.17	.55	.51	.63

Appendix

Mean and standard deviations for the items in the scales

Anomia scale	Mean	S. Dev	N
1. Next to health, money is the most important thing in life.	3.77	1.99	102
2. You sometimes can't help wondering whether anything is worthwhile any more.	3.47	1.86	100
3. To make money, there are no right and wrong ways any more, only easy ways and hard ways.	3.77	2.13	99
4. Nowadays, a person has to live pretty much for today and let tomorrow take care of itself.	4.20	2.00	102
5. In spite of what some people say, the lot (situation/condition) of the average man is getting worse, not better.	4.38	1.62	101
6. It's hardly fair to bring a child into the world with the way things look for the future.	2.89	1.82	101
7. Most people in public office are not really interested in the problems of the average person.	5.07	1.61	101
8. These days a person doesn't really know whom s/he can count on.	4.47	1.89	101
9. Most people don't really care what happens to the next person.	4.38	1.77	101
	36.54	10.11	94

Fraudulent behavior scale	Mean	S. Dev	N
10. Drinking a can of soda in a supermarket without paying for it.	6.51	1.04	102
11. Changing price-tags/barcodes on merchandise in a retail store.	6.74	0.73	102
12. Giving misleading price information to a clerk on an unpriced item in a retail shop.	6.55	0.98	102
13. Reporting a lost item as "stolen" to an insurance company in order to collect the money.	6.34	1.35	102
14. Returning damaged merchandise when the damage is your fault.	6.30	1.20	101
15. Not saying anything when the check out clerk miscalculates the bill in your favor.	5.42	1.84	102
16. Getting too much change and not saying anything.	5.38	1.83	102
17. Lying about a child's age in order to get a lower price.	5.12	1.88	102
18. Using an expired coupon for merchandise.	5.18	1.97	102
19. Returning merchandise to a store by claiming that it was a gift when it was not.	4.91	2.01	101
20. Using a coupon for merchandise you did not buy.	5.51	1.85	101
21. Taping a movie off the television.	2.05	1.70	101
22. Returning merchandise after trying it and not liking it.	2.66	1.90	102
23. Recording an album instead of buying it.	3.27	2.28	102
24. Using computer software or games that you did not buy.	3.58	2.25	101
	81.67	19.04	99

RISK AND RETURN IN INTERNATIONAL RETAILING

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ABSTRACT

Entry method strategies and operational control strategies are explored, considering the latter strategy independently of the former, isolating its unique risks. These risks are quantified in a small sample with analysis of how the same methodology could be employed in future research.

INTRODUCTION

Entry method and operational control location are two of the crucial decisions made by any retailer going international. Within most industries, these decisions are often seen as one in the same, with certain entry strategies dictating operational control location. In retailing, numerous examples suggest these strategies appear to need separate study. In this study, we seek to define the domain of operational control risks facing international retailers. Once the risks are clarified, two propositions can be advanced. Initially, if the risks are real, we should see a different return pattern in the international operations of selected retailers. We have developed a preliminary test for this proposition and employ it on a sample of European grocers with a presence in the United States. Secondly, different operational control decisions should subject entrants to different levels of risk. We suggest that the same methodology could, in the future, be used to test this proposition as well. Given our analysis and the results of the first statistical test, we believe that international retailers could be better informed about the risks they face when entering new markets and the resulting returns they should anticipate from the specific strategies they employ.

BACKGROUND/LITERATURE REVIEW

International retailing continues to gain attention as a viable concept after decades of doubt. Previously dismissed as an industry particularly dependent upon adaptation and localized appeal, retailing has had more than its share of international success stories during the past ten years. One critical part of the decision to go international with a retailing concept is the form of market entry. Closely related, but not identical, is the choice of operational control location. The two ideas have different predecessors in the literature, but both have been applied to international retailing (Pellegrini 1991, 1994; Salmon and Tordjman 1989; Treadgold 1990/91) and, indeed, have been combined in at least one application (Maskulka and Erickson 1995).

Market entry, of course, has a long history in marketing circles and Root (1982) has been probably the most cited comprehensive source. Dunning (1981) made substantial strides in the early eighties in trying to explain why a firm might choose one entry strategy over another. His eclectic theory laid out the specific strategic, environmental, and transaction-specific variables which matter in making the entry mode decision. This basic concept and the relevant variables have been further refined since (e.g. Hill, Hwang, and Kim 1990). Pellegrini (1991) took these broad themes a bit further, seeking to explain direct foreign investment (DFI) decisions by retailers. Accurately noting the special case of retailing in entry decisions (traditional retailers must have a physical presence, for example, and cannot export), Pellegrini adapted the model to several specific sectors of European retailing, demonstrating why DFI is more appropriate for some retailers than for others. Pellegrini also noted the particularly strong distinction between home office (centralized) operations and individual unit (local, point-of-sale) operations. The decision about which location should control which activities is especially critical in international retailing and harks back to Levitt's (1983) original work on globalization. Should control be standardized by the home office (global strategy) or localized within the host country (multinational strategy)? Levitt contended that consumers are becoming more and more homogenized around the world, making a global strategy appropriate for an ever greater number of firms.

Levitt's approach was applied specifically to retailing by Salmon and Tordjman (1989). Claiming that retailing in particular was benefiting from a number of globalization trends, these authors postulated that global strategies would be increasingly preferred over multinational strategies, including acquisitions. Treadgold (1990/91) took a similar tack in an examination of prominent European retailers. Implicit in Treadgold's approach was a maturation of retailers. Inexperienced, cautious retailers would initially choose multinational strategies, relying on partners or subsidiaries familiar with the target nation and its markets.

As these retailers became more experienced and more confident, transnational (a mix of home and host location control) and global strategies would be followed. Implicit in all these lines of argument, however, is the assumption that all international retailers should aspire to global status, with full home country control and little adaptation to individual national markets. Quelch and Hoff (1986) originally questioned Levitt's idea that all international firms should aspire to standardization. Indeed, although it appears that global status may be appropriate for quite a number of companies, it also seems clear that pursuing such a position may be better viewed as strategic rather than a universal goal.

This argument is particularly true for retailers. Pellegrini (1994) explored the strategic issue in more depth by looking at the choices between geographic expansion and product expansion—different variables than we are discussing here, but definitely in the same area. The control issue *per se* is considered in a similar manner in a Retail Entry Model proposed by Maskulka and Erickson (1995). The model essentially applies the strategic approach of Dunning; Hill, Hwang, and Kim; and Pellegrini to the choice of control location (as opposed to the standard application of eclectic theory to entry form). The admittedly qualitative approach posits a strategic structure, based on eclectic model variables, which can be used to choose an appropriate operational control location (home, host, or mix paralleling global, multinational, or transnational).

This paper seeks to attach some preliminary numbers to this model. International retailers choosing between controlling far-flung operations from home or from individual target countries face special risks, dependent upon this decision. As a result, if retailers embark upon a venture with greater risk due to the control location decision, they should anticipate higher returns than those retailers accepting less risk. Consequently, we seek first to define and explain the risks involved in the retail entry/control decision. We will then pass to quantifying the idea that retailers going abroad, by definition, take on more risk than retailers expanding in familiar home markets. In addition, we discuss how these techniques can then be employed in further research to measure whether or not specific operational control decisions do indeed subject international retailers to greater risks while promising the possibilities of greater returns.

RISK AND RETURN IN INTERNATIONAL RETAILING

The unique risks facing any international operation generally fall into two categories, mirroring the sides of the marketing concept (firm capability vs. customer needs/wants). The first is the degree of control over operational execution of a venture in a new market (Control Risk). The standard presentation of entry strategies into foreign markets presents degree of operational control in lock-step with degree of presence and/or degree of commitment (see any standard international marketing textbook). To illustrate, exporting is seen as a low presence, low commitment strategy which, while minimizing capital obligations, will invariably subject the exporter to enormous control risk because the firm is heavily dependent on its partner in the target nation and how that partner markets its products. At the other end of the control risk spectrum, the market entrant choosing direct foreign investment will have total control of the new operation. Consequently, DFI entails much less control risk since the firm is dependent on no one but itself. All phases of a marketing strategy can be executed as the home firm wishes, precisely because the home firm has total control. Other market entry strategies are usually considered to fall between these two extremes in terms of control.

International retailing, however, can be a much different animal. As noted above when we discussed Pellegrini's (1991) contribution, traditional retailing cannot utilize all normal entry methods. Exporting is impossible except in limited areas such as mail order. Hence, the choices open to traditional retailers can be usefully broken down between solo entry, merger and acquisition (M&A), or joint venture (JV)/franchise. Retailing is also somewhat unique, however, in that these distinct entry formats do not necessarily match up well with operational control locations in the manner just discussed. In traditional entry theory, the joint venture option would be viewed as that having less home operational control than either of the other entry choices. Franchisors such as McDonald's, however, while making slight adaptations to local menus, have enormous home control over the operations of all their worldwide franchisees. Even though considered a JV/franchise entrant in most markets, McDonald's would be classified as an international food retailer with substantial home control over most of its offshore operations. Alternatively, an M&A entry, perceived as a relatively high control strategy in traditional entry theory, may grant very little home operational control in retailing. KBB, the Belgian retail giant, bought FAO Schwartz, the well-known U.S. toy retailer in 1990. Very little has changed in the subsidiary's operations. Similar examples range from Grand Metropolitan/Burger King to Vendex/Dillard's. Although often related, entry method and control location do not go hand-in-hand as in most other industries.

The second broad category of risk facing international retailers is the risk that its particular offering will appeal to local tastes (Familiarity Risk). The more involved local management is in the operation, the less risk there is that the retailer will be out of tune with unique local needs and desires. The more the far-away home management controls the operation, the more risk exists that the overall retail concept will not appeal to the unique aspects of a specific local market. In short, as the entrant goes away from local management's familiarity with its own market, the more risk there will be of not addressing the idiosyncrasies of the location. Again, this idea is usually addressed in entry method theory, with export deemed a low familiarity risk strategy, solo deemed high familiarity risk. And, again, we prefer to see the question as a control decision, regardless of entry method. Establishing a turn-key franchise operation in a new market with no adaptation to local conditions runs just as much familiarity risk as opening a solo venture in the same place.

As the reader will have deduced, the risks are not complementary. As the degree of home operational control increases, control risk decreases while familiarity risk increases. Conversely, as the degree of home operational control declines, control risk will increase while familiarity risk decreases. As with any standard offsetting risks scenario, we could picture a U-shaped total risk curve which combines both control and familiarity risk curves. A pure global (home control) strategy will invite high total risk, dominated by the familiarity risk component. A pure multinational (host control) strategy will also call forth high total risk. This extreme strategy, however, is chiefly subject to the control risk element. As might be intuitively inferred, the low risk strategy will likely be somewhere between these two extremes, at a point where both offsetting risks are partially muted (but still above normal domestic operation risk levels).

Both ends of the continuum, then, promise high risk strategies. High risk strategies are not necessarily to be avoided, but planners should be aware that these risks exist and should anticipate high returns from success as a reward for undertaking such risks. The question being begged is whether we can measure such risks and returns, and, if so, how we would go about employing and interpreting such measures. Hence we pass to more quantitative issues. Two broad hypotheses spring immediately from the preceding qualitative discussion. Initially, any retailer making the decision to go into unfamiliar international markets will face unique risks not present in its domestic markets. Consequently, we would expect greater evidence of risks in the returns of such retailers. This idea is explored here. A second hypothesis would propose that international retailers choosing a pure home or pure host control strategy will face risks greater than those choosing control strategies mixing these extremes. As a result, even within a sample including only international firms, such retailers would show evidence of greater risks in their returns. The anecdotal evidence above suggests that this might be the case, and, assuming that the methodology of the present study proves successful, the exploration of this hypothesis will provide fertile ground for future research.

MEASURING THE RISKS FACING INTERNATIONAL RETAILERS

The key to measuring risks, as any financial analyst estimating beta will attest, is found not in the level of a firm's returns but in the variance of its returns compared to some benchmark figure. The company adopting a riskier strategy should anticipate relatively higher returns given a successful venture and relatively lower given an unsuccessful venture. As economic factors change and competition adjusts, the returns to a risk-oriented firm should show bigger swings. Hence, the amplitude of the return pattern is the key to determining whether a firm is subject to greater market risks or not. In pursuing such a measure, however, we need to carefully define the term return. The standard figure generally involves a firm's Return on Investment (ROI) or Return on Equity (ROE) which are often summarized by proxy in Earnings per Share (EPS) reports or simply by share price itself (as in beta calculations). Such data are generally not appropriate in this particular application. Initially, entry across borders can often involve substantial early investment which does not begin to deliver returns until some time after the fact. Retailers often expand rapidly once they have made the decision to go into a market. As a result, they are constantly opening new stores and/or purchasing existing outlets. Both activities pose considerable difficulties for an empirical design seeking a snapshot ROI or ROE measure at some specific point in time. From a more practical point of view, isolating the amount an international firm has invested in a specific foreign venture can be a difficult exercise in itself. Though some information on foreign operations can often be gleaned from financial reports, separate balance sheets for international activities are generally rare. Even if the parent firm takes a stake in an ongoing public firm with its own financial reports, questions arise as to how much of the investment amount and/or the subsidiary firm's equity should be including in determining the parent's return. If the investment levels of a foreign project cannot be accurately identified, then ROI and ROE figures cannot be employed.

On the other hand, income information is generally available for both foreign operations and foreign subsidiaries of publicly-traded corporations. We suggest that, for firms in a given industry, the cost structures represented in income statements should be similar given equal levels of risk. We further suggest that operations subject to considerable additional risk should offer cost structures which vary more as conditions in the industry turn favorable or unfavorable. In other words, the variable costs in the industry should be similar for similar firms. The fixed costs can be treated as a proxy for investment. The resulting bottom-line figure is not an exact measure of the returns from an international investment, but it may be a useful estimator since firms making high profits relative to their fixed costs will have higher margins. With a large enough data set, most of the random factors which may bias a particular firm's figure in a particular year should even out. Hence, we turn to Operating Income After Taxes (OI) as a percentage of Sales for our initial evaluation of the risks involved in retail entry strategies. The data are available, they essentially measure what we desire, and we can get a large enough data set to offset at least some of the obvious biases. However, since risk is the question and variance in returns is then the key measure, we further refine the data by considering not only change in OI for this study, but percentage of change in the OI ratio. The latter measure should best reflect the operational risks and returns of subsidiary firms operating overseas.

In short, then, we choose to examine the variation in the operating income ratio of overseas retail subsidiaries for evidence of higher accepted risk. Greater vacillation in the bottom line conceivably indicates greater variation in returns and, therefore, greater operational risk. Similar or lower vacillation in OI will indicate the opposite. Direction of variation appears to us to be an unimportant complication, hence all changes are treated as absolute values. The specific data set we chose includes high-profile European grocers who have entered the U.S. market over the past decade. As noted earlier, we sought firms from a single industry segment so that margin differences reflect return differences, not inherent differences in cost structure. As a result, we made several decisions regarding who to include and who to exclude. One criterion was that firms' home and overseas operations focus principally on the retail food industry. Similarly, we sought firms with a substantial U.S. presence. For this initial test, we thought it wise to eliminate the unique conditions that might be found in developing markets. In choosing the U.S. as a target market for entry, competitive conditions can be better isolated as the reason for any major swings in earnings. The size of the presence was also important, with only substantial entrants considered. Finally, of course, the data set was dependent on availability. Our resulting data set included eight sets of annual returns, four sets of European parents and four sets of U.S. fully- or partially-owned subsidiaries. We gathered OI and sales data for six years (1988-1993). Fiscal years are slightly different for the U.K. but we did not anticipate any bias added to the data. Since we were looking at the change in the ratio OI/sales, the six years of returns resulted in 5 data points per firm.

One final consideration was whether to isolate domestic (or at least non-U.S.) returns from the results of the U.S. subsidiaries. Given the nature of the problem and the direction of the possible biases, we decided to leave the U.S. returns in the parent figures. Our hypothesis is that the "foreign" U.S. returns should have greater variation than the domestic returns of these European grocers. If so, inclusion of the U.S. returns in the overall figures should cause the latter to inflate. Consequently, the difference in variation between the two data sets will be lessened by the potential bias of including these numbers. If we find a significant difference in spite of this possible bias, then a difference certainly exists. Since the bias is against our hypothesis, we adopted the conservative approach and did not attempt to remove this particular potential bias from the study.

DATA AND CONCLUSIONS

We tested for differences in the data by averaging and using a basic t-test, anticipating a higher mean variation in the international data. For a one-tailed test with 38 degrees of freedom and 99% confidence level, the critical t-value is 2.4. A calculated t greater than this value would indicate that it is unlikely the two means of the two data sets come from the same distribution, hence the "foreign" U.S. results do show significantly greater variability. The calculated value of t for the data set was 10.1, well above 2.4 and indicating a highly significant difference in the variation in domestic and international returns. Just as importantly, this variation is in the anticipated direction (average percentage change in foreign returns is 44.04%, that of domestic is 2.57%). Retailers would appear to take on substantially higher risk when they venture into international markets. Not a surprising conclusion, but one convincingly confirmed by the data. Based on these preliminary results, we would assert that the risk and return concepts discussed in this paper show some merit. Certain risks are unique to the international activities of retailers (control risk if the home office does not have direct oversight of operations, local market familiarity risk if the home office does have direct oversight). These risks would appear to be quantifiable and could be confirmed by a larger sample across

more countries and more retail industries. Our analysis further suggests that these risks apply even more directly to international retailers taking more risky pure home or pure host operational control strategies. We see no reason why the same general data analysis format cannot be used to compare the returns of retailers embarking on such high risk operational strategies with those retailers choosing a less risky "mix" strategy combining home and host control. Such a study would, again, need to be much larger than this one to ensure some representation in each of the possible categories (home/host/mix combined with domestic/foreign results). As we further our understanding of the risks faced by international retailers, our end goal is, again, not to discourage risk-taking behavior. The usefulness of identifying and quantifying risk in international retailing operations is in alerting practitioners to the real risks faced in overseas operations and the additional returns which should be required to take on such additional risks. Future research along such lines should be enlightening to academic and practitioner alike.

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INTEGRATION AND PERFORMANCE: AN EXAMINATION OF THE MARKETING/LOGISTICS INTERFACE

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ABSTRACT

Research suggests that organizations with specialized departments perform better when they devote resources to well-defined functional interfaces (Galbraith 1973; Lawrence and Lorsch 1967). For example, coordination between marketing and other departments is often required to deliver high quality services to customers (Cespedes 1994, 1996; Day 1994).

Integration between marketing and logistics is necessary for achieving maximum customer value (Bowersox, Mentzer, and Speh 1995; Christopher 1993). However, despite what appears to be a sound rationale for interdepartmental cohesion, marketing and logistics managers have tended not to consult and coordinate with each other (Cespedes 1988; Lambert 1978). Marketers have traditionally been slow to recognize the value of logistics (Murphy and Poist 1994; Stock 1990).

Integration of interdependent functions is generally believed to be positively associated with performance. However, there is little substantive research on marketing/logistics interdepartmental integration and no published research was found focusing on its impact on performance. Therefore, this research investigated relationships between marketing/logistics interdepartmental integration, distribution service performance, and firm performance. In addition, three behavioral dimensions of interdepartmental integration (information exchange, consultation and collaboration) were examined to better understand whether they are independent of one another or part of a multidimensional construct.

Logistics manager key informants at U.S. manufacturing firms were surveyed regarding their perceptions about the effect of marketing/logistics interdepartmental integration on performance. A significant series of positive relationships were found between the collaboration-related behavioral dimension of marketing/logistics interdepartmental integration, perceived effectiveness of interdepartmental relations, distribution service performance, and firm performance. However, hypothesized positive associations between information exchange, consultation and perceived effectiveness of interdepartmental relations were not supported. The results also indicated that the three behavioral dimensions of interdepartmental integration examined were independent of one another rather than part of a multidimensional construct.

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Available on request.

LOGISTICS: AN EVOLUTIONARY PERSPECTIVE, CONSIDERATIONS AND FUTURE DIRECTIONS

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ABSTRACT

The current trends in logistics are reviewed. The author posits that the forces of technology and competition are driving logistics to a more process oriented approach. A classification schema is proposed for evaluating the logistics function along the axes of physical v. non physical focus and internal v. external focus. Future directions of logistics are considered in light of these forces.

INTRODUCTION

The role of logistics is changing rapidly in today's world. What was once seen as the physical distribution aspect of the corporation is now viewed as much more and as a result is now struggling with the basic nature and scope of its existence. Questions arise as to where the logistics function fits into the leaner, meaner environment of the modern global economy and how can it best be employed. The question that is being asked is what is the scope of logistics in today's economy and where does it belong in the future as business needs and structures change? This paper will look at the current trends in logistics from an evolutionary perspective and present a taxonomy of logistic functions based on their physical v. information and internal v. external distribution focus.

The Evolution of Logistics

Logistics has traditionally been viewed as a narrowly defined function of traffic and distribution (T&D)(Copacino, 1993). T&D focuses primarily on minimizing freight and warehouse costs. The physical distribution aspect of logistics, while important to the discipline, is no longer the main focus. Cries of integration, customer service, strategic competition, and scope of responsibility rise from both the academic and practitioner literature. If the definition and function of logistics is changing, The question that must be asked is, into what is it changing? Logistics is increasingly viewed as a strategic competitive process (Copacino 1993, Voorhees 1992, Innis and La Londe 1990). "Over the past three decades, the logistics task in many cutting-edge firms has moved from an operational orientation to a tactical orientation to a strategic orientation."(La Londe 1990) Attempting to define logistics is much like trying to define marketing, however for the purpose of this paper the Institute of Industrial Engineer's definition will be used.

Logistics consists of all activities in support of an organization's prime mission. These activities include material management and storage, scheduling, transportation, packaging, distribution, front-end systems design, logistics information, support systems management and engineering; life-cycle engineering and customer service. (Witt 1994)

One could easily replace logistics with marketing in this definition. Perhaps because of its expanding nature, the issues and trends that the logistics literature reports lie along two major themes, physical v. non physical, and internal v. external.

Physical Focus: The issues that have traditionally concerned logistics managers are still present in various forms. Issues such as purchasing, inventory management, warehousing, and packaging remain very high on the concerns of logistics managers (McGinnis et. al. 1994). Indeed the issues of interest for the mid level manager are still very tactical or functional in nature. This traditional area, however, is impacted by a wide range of evolving situations and problems ranging from political to ecological.

In the global economy the logistics of international distribution is more important than it used to be. NAFTA has opened up the Mexican border for many American firms, Capitalizing on this opportunity, however, is not always easy. Crossing the Mexican border is radically different, and much harder than crossing the Canadian border (Waller and Colehower 1994). Companies must contend with different physical infrastructures and political systems that impact the physical distribution process. Many Mexican roads, for example, will not handle the large tractor trailer combinations that are common in the United states. Fuel quality and availability is less reliable in Mexico than in Canada as well. As a result of these difficulties American firms have developed partnerships and marketing programs to overcome these obstacles in order to take advantage of NAFTA. Indeed Many

firms realizing that the Mexican border could open up started planning three years in advance (Waller and Colehower 1994). Similar strategies can be seen in Europe where the traffic between countries has been loosened due to new border regulations. This loosening has led to increased profitability and efficiency (Traffic Management 1994).

Ecological considerations have become paramount as well when considering the ramifications of the physical distribution system. Companies can no longer just concentrate on the shipping of end product to the retailer or industrial customer. How and when the product gets to the end user, and how it is used, is increasingly coming under the jurisdiction of the logistics department. Firms are now responsible in some cases for the waste their products produce after the customer receives it. Hewlett Packard offers a recycle program of its toner cartridges for its laser printers and cereal manufacturers in Germany are responsible for the boxes their cereal is sold in. As a result shoppers in Germany buy the product, open the box, pour the cereal into a container they have brought with them then place the empty box in a receptacle supplied in the store (American Shipper 1993).

Non physical Focus:

"Anybody can team up to offer third party warehousing and transportation and call themselves a logistics provider. My definition is you have to take those two items and combine them with service delivery, repair cycle management, and inventory planning. You have to offer a solution that reduces inventory, improves field service productivity, and improves customer satisfaction." (Bradley 1994)

The core of logistics is movement, how to move the desired material from point A. to point B. on time and under budget. How this movement takes place and what is actually moved is the bases of all logistic theory. The non physical aspect of logistics, however, is growing in importance. In the era of alliances and networks, how things move through all aspects of the company is being examined. Integration into the other areas of the company is being investigated, as is the interface between the logistics function and the other functions of the company. Companies striving for a competitive advantage can no longer operate at the current level of cross functional cooperation, systems need to become leaner and quicker.

McGinnis et. al. (1994) found three main themes emerging in the logistics function. These are: 1) The increasing emphasis on interfaces within logistics and between logistics and other areas of the firm, as well as between the logistics activities of buyers and sellers. 2) The increasing emphasis on intrafirm and interfirm logistics efficiency. 3) The importance of public policy issues emerging in logistics. Similarly logistics is increasingly considered to be a managerial activity that includes economics, marketing, distribution and information (Witt 1994). Issues such as customer focus (Monczka and Morgan 1994) and the speed of the entire flow process (Cavinato, 1992) are being addressed from a logistics perspective.

The logistics function has become just as concerned with the flow of information as it is with the flow of materials. The largest technological impact on the discipline has been in the area of information management and tracking (Yanacek 1987).

"There is ample evidence that electronic data interchange (EDI) and other computer-driven applications will change the way firms relate to vendors, customers, and third parties. The logistics executive of the 1990's will have to understand technology to a greater degree than his/her 1980's counterpart." (La Londe 1990).

Indeed the logical conclusion of this trend is that logistics may manage of the flow of information between the various areas of the company regardless of the content of that information. The logistics driven company will have an emphasis on information management that comes from a very different perspective. This perspective will be concerned with the successful distribution of information between the various elements of the firm. Logistics is increasingly being seen as a cross functional, boundary spanning, strategic weapon that could make the difference between successfully competing for business and being put out of business.

External v. Internal Focus:

Just as the concerns of logistics managers have broadened to include the flow of information as well as physical goods it has broadened to include the flow of both internal and external processes. The traditional logistics manager was primarily concerned with getting the product to the customer once it was out the door. This was expanded to include the timing and flow of the raw materials that needed to flow into the plant. Indeed with the advent of inventory reducing manufacturing processes such as JIT (Just In Time) this function became more important.

Equally as important is the flow of information external to the company. These processes are more traditional to the marketing than logistics function, these include advertising, promotional information and public relations materials. The management of these communications structures has become a hot topic under the guise of integrated marketing communications. The externally focused logistics oriented organization strives to coordinate its physical and nonphysical processes.

Relatively new to the logistics oriented company is the focus on internal processes. The most traditional elements of this focus has been the internal flow of work in progress for manufacturing facilities. This is the internal side of inventory reducing strategies such as JIT. With the advent of the increased importance of information flow, however, the scope of internal logistics operations increases as well. All internal information flow can now be considered a logistics function, subsuming managerial, accounting and financial information systems. This internal focus places the emphasis on the coordination of the different functions within an organization.

Perceptual Map of the Logistics Function

As stated above the purpose of all logistics strategy is to distribute needed resources in a timely, cost effective manner. This is true regardless of what the purpose of the organization is. To date one of the more popular taxonomies of logistic strategy has been the process/market/channel taxonomy of Bowersox and Daugherty (1987). Process firms manage a broad range of traditional logistics functions as a value added system, Market strategy firms manage traditional logistics functions across strategic business units and information strategy firms tend to have responsibility for traditional and non traditional logistics functions (Clinton and Closs 1997). Two of five assessing criteria of a classification schema as presented by Hunt (1991) are whether the categories defined are mutually exclusive and collectively exhaustive. Based on this criteria this taxonomy appears to be somewhat lacking, indeed Bowersox and Daugherty have emphasized that this classification is not absolute and that firms can exhibit varying degrees of each of these components (Clinton and Closs 1997). We suggest that a classificatory system based on absolute categories of functionality is, perhaps, not necessarily the most exhaustive method of examining the logistics function of an organization and the addition of other methods could give a more complete assessment.

Based on this argument and the previous exploration of the scope of the logistics function we propose an additional way of examining it. This technique is strait forward and simplistic. We simply assess a company's strategy on the axes of physical v. non physical focus and internal v. external focus. This perceptual map method has two advantages over a taxonomy, it does not claim exclusive categories and it gives a convenient method of assessing organizations within and between industries.

One of the trends as exhibited in the logistics literature is integration. Integration of physical and informational aspects of the logistics function is considered to be necessary in order to achieve and maintain a competitive advantage. Using a perceptual map with these axes gives a good indication of the degree of integration a company has with respect to these elements of the logistic function. The closer an organization places to an axis indicates a greater degree of integration. Placing closer to the center of the grid shows greater integration among all four elements of the logistics process. While Bowersox and Daugherty's classification examines a firms strategy based its organizational structure and the nature of what it moves we believe that this is a less than complete schema. Our method recognizes that many organizations will formulate many different strategies as they attempt to find the optimal solution for their particular needs. This method removes the particulars of industry and focuses on baser elements and who they relate to each other in the company's goal of optimal resource allocation.

Limitations and future directions

This method of examining the logistics function of a company is not without problem. Of primary concern is the procedure for assessing the degree of focus of any particular organization. The key challenge is designing an instrument that can accurately assess these qualities of an organization that is not dependent on industry specifics, a task that is beyond the scope of this paper. Additionally this method also assumes that a large degree of integration of all aspects of an organizations logistics processes is optimal. Not all industries require such a high level of integration. This procedure, if developed to its logical conclusion, should determine the degree of integration and the direction of focus of an organization, it will not determine if that focus and level of integration is optimal for that organization, that must be assessed by the researcher.

The current state of logistics is one of expansion and flux. Traditionally the role of logistics was to oversee the handling and distribution of the physical material in and out of the plant. That definition expanded to include the material that was moved within the plant, including work in progress and the related information that accompanies it (Witt 1994). The definition has now expanded to include the flow of information to and from all areas within the corporation including partners and customers. The role of logistics, therefore, is striving to create an organization structure that is information and material flow based as opposed to financially or managerially based, this method of examining the logistics function of an organization emphasis this trend.

Discussion and Future trends

Technology will undoubtedly continue to have a major impact on the field of logistics. The trend toward a more integrative, holistic approach to logistics is a result of the twin pressures of technological change and increased competition will continue. The combination of these trends has forced a focus on the processes of movement both within and outside the firm. These conditions will doubtless continue into the future. Competition will never decrease and the market forces of tomorrow will undoubtedly be more intense and competitive than they are today. Coupled with the notion that technology never stands still, and the forces that have created the modern integrative view of logistics will continue to push in that direction. Will logistics paradigms run the companies of the future? Maybe, but I do see a further integration of logistics theory with both main stream marketing and management theory. By reducing the focus from physical distribution to process flow a tighter integration into marketing theory will result. The common themes of this include the importance of information flow and the increase in cross functional, boundary spanning activities and a greater customer focus.

But what of the physical side of logistics? This will never go away within our lifetimes but the grip that physicalities holds has already started to loosen. The transportation and movement of information has started to replace the transportation of physical materials in some instances. Fax machines and email now handle some of the load of traditional mail services. It is possible for musicians in different cities to record music together through MIDI (Musical Integrated Digital Interface) linked instruments and recording technologies. The trend toward teleconferencing and distance learning are replacing the physical transportation of people, and the military is experimenting with distance surgery where the surgeon manipulates mechanical arms on the battle field through a satellite link up. The concept is that information can be transported more quickly and cost effectively than can the actual physical counterpart. Innovation will come in the form of increased sophistication of input and output devices. It is already possible to construct three dimensional shapes from stored computer data. This process is already being used to make bone replacement for brain surgery patients, other applications will doubtless, soon follow. The ultimate extension of this could be a Star Trek universe where we beam objects and people back and forth across the galaxy. Or perhaps a darker future awaits us as in the 1956 science fiction classic *Forbidden Planet*. The extinct race in that story learned to transmit information with out using instrumentality. By using only their minds information was transported and materialized where ever they desired. Pure creation! The Krell, however, were consumed by their own subconscious demons who were free to terrorize and kill and their race was wiped out overnight. The future of logistics may not approach either of these extremes, nor is it likely that it will decide the fate of mankind, but it is certain that the role that logistics plays in the future of business and marketing will be more process and less physically driven.

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Perceptual Map of Logistics Focus

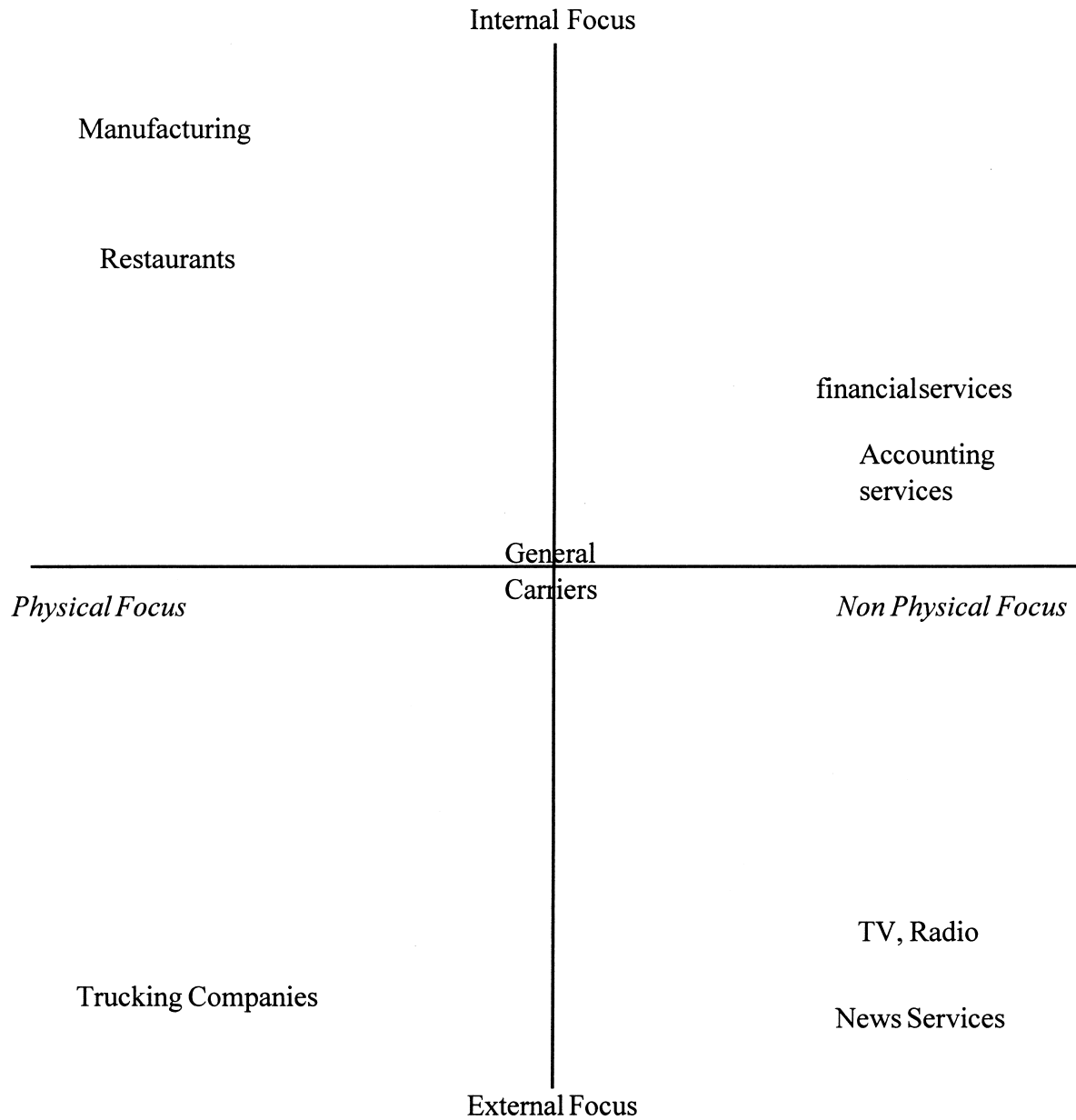


Figure 1

PRODUCT AND PACKAGING DISPOSAL'S CHALLENGES TO CHANNELS MANAGEMENT

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INTRODUCTION

As marketers have responded to society's growing desire for more convenient, and more disposable, products, it has become clearer that marketers have insufficiently planned and anticipated the consequences of convenient, disposable products and packages. Even with such reminders of post-purchase use and disposal of products as Alderson's comprehensive marketing theory of the 1950s and then the attention to waste disposal and recycling of the 1970s and '80s, it is debatable whether sufficient attention is given to planning and implementing distribution systems which embrace the recollecting, recycling, and reuse of products and packaging. Giving the matter appropriate attention will be a challenging educational and retraining process, but it is a commitment which channels managers will be required to make.

PRODUCT AND PACKAGE DISPOSAL PATTERNS

It is estimated that in a little more than 10 years, 450 million tons of trash, in addition to 25 billion tons of industrial waste, will be discarded each year in the United States alone, constituting perhaps a third of the entire world's refuse. Discarded newspapers are the main throwaway items in landfills, taking up 14 per cent of their space. Americans also throw out 18 billion disposable diapers per year, two billion razors and razor blades, 1.6 billion pens, 1 billion toothbrushes, 350 million gallons of motor oil, 220 million tires, and also 20 billion pounds of plastics. One-third of the nation's trash is discarded packaging; 100 million aluminum cans go to dumps each day, although more than two-thirds of all aluminum cans are recycled, but only 30 per cent of plastic containers, and 20 per cent of glass bottles. A social critic asked several years ago if five or six Earth-sized planets would be needed to serve as our garbage dumps.

Products and packages are often disposed of without heed for their danger, or for their potential value if recycled and reused. Perhaps 90 per cent of household wastes are inadequately and improperly treated. Discarded automobile batteries leak acids into groundwater. Only about 20 per cent of discarded tires are retreaded, the balance requiring stockpiling for eventual disposal, or landfilling, or illegal dumping. Plastic products and innumerable forms of plastic packaging, virtually all of it non-biodegradable, account for some 10 per cent of the trash total and are named as chiefly responsible for filling and closing dumps. More than 50 million stoves, refrigerators and other major consumer appliances will have been discarded by the year 2000, contributing to overflowing landfills, littering rural hillsides, and still sometimes trapping curious children.

Products that flow to buyers not surprisingly flow also from users finished with the products or their packages, and so flows of trash have developed into an interstate and international trade. Garbage is now fairly routinely shipped by truck and boat, and dangerous discarded batteries flow to Taiwan and thence to less-environmentally-restrictive mainland China. Somewhat similarly, goods that are outlawed in one or more countries often find their way to less regulated markets, as in the cases of hazardous, U.S.-banned tetraethyl-leaded gasoline and pesticides to Third-World countries.

GROWING INTEREST IN RECYCLING AND REUSE

Business has joined public officials, environmental and social activists, and increasing numbers of citizens who have been attracted to the economic, esthetic, and social advantages of recycling and reuse. The Big Three of waste accumulation, newspapers, tires, and plastics, are drawing significant attention for recycling. Crumb rubber developed from old tires is being used in growing numbers of products, from rubber mats to lumber-like posts to mulches. Newspapers are reconverted to printing papers of several qualities, and also to egg cartons. Plastics are being redesigned to include recyclable properties, and new incineration techniques are being developed for older plastics.

The automobile serves as an encouraging example of a growing interest in recycling and reuse, especially in Germany, where bumpers are made from recycled materials and plans have been announced for 100 per cent-recyclable

cars, with “a network in place for its recovery,” and carmakers instruct recyclers in disassembly techniques for recovery of recyclable parts and then pressure their subassemblies suppliers to purchase the “ second-generation materials” from the recycled scrap producers; car manufacturers also promise to buy back the hulk for recycling when the car’s use is ended. In this country, two of Ford’s cars are more than three-fourths recyclable, while a Dutch-built Volvo claims 90 per cent recyclability.

Progress is evident in other areas of smaller products, too, in both consumer and business goods. Downy Fabric Softener is available in small refill paper packages of concentrate, to be remixed with water in reusable plastic bottles. Spic and Span liquid cleaner’s package has been recycled from soft drink bottles. Toothbrushes are available now with replaceable heads. Toner cartridges for office copiers and printers are now refilled and reused, for half or less of the price of new. McDonald’s, working closely with the Environmental Defense Fund, has made an extensive commitment to use of recycled materials and pursuit of purchased supplies and materials that are environmentally friendly, while also “pushing packaging suppliers to develop lower-waste materials, developing pilot projects and then rolling them out at all 12,000 stores.”

NEW RESPONSIBILITIES FOR CHANNELS MANAGEMENT?

Trash accumulation and environmental damage costs to society are beginning to be acknowledged, if belatedly and sometimes reluctantly. Additionally, carbon dioxide, nitrous oxide, chlorofluorocarbons (CFCs), and other greenhouse gases are being generated ever faster by products and packages such as automobiles, air conditioners, aerosol cans, and polystyrene products, which, many scientists and policy makers are convinced, contribute to global warming. Marketers’ analysis of products’ and packages’ flows beyond purchase and use involves responsibilities which must be acknowledged, whether to manifest good corporate citizenship or to respect rising green movements and associated societal pressures, which may evolve into chafing regulatory restraints. Growing public concern about waste management, land use, water and air quality, energy conservation, and related matters will make itself increasingly felt in decisions about product offerings and their packaging. It has been predicted that product and package design will require “ serious consideration of whether society really needs the new product, from a more holistic perspective on the situation,’ reconsidering every part of the product, how long it’ll be used, and how it can be used by different people in society.” Future distribution planning seems certain to routinely include consideration of re-collecting, recycling, and reuse functions.

This line of reasoning must concede that partners at various levels in channels alliances are, as Alderson, McVey, McCammon, and others have reminded over the years, only loose alliances of marketing firms which operate as independently as they can in trying to get ahead and prefer to respond incrementally to change. -- And even that “reverse distribution costs” may be many times greater than forward costs. Yet the need persists to envision more completely buyers’ patterns of product and package use and disposal, and also to play a role in educational programs that assist buyers in prolonging products’ value and disposing of them in more environment-friendly ways. Equally importantly, there is need also for contemporaneous supply-chain re-engineering efforts to include attention to channels extensions and backflows made necessary by growing focus on recycling, reuse, and related activities in the “new” view of managing channels for products and their packages.

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THE EFFECT OF CULTURE AND LANGUAGE ON ORGANIZATIONAL INFORMATION PROCESSING

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ABSTRACT

The growth of global business has caused many businesses to seek channel members in various countries around the world. Establishing a functional working relationship with new channel members is a difficult process even when there is a shared language and culture between the potential channel members. When entering into a channel relationship with a new channel member with different languages, social cultures, and business cultures the process is even more difficult.

This paper introduces organizational information processing as the primary method used by channel members to establish a working relationship. This paper develops the notion that channel members go through 4 different stages within their relationship. Specifically the organization progresses from piece-meal processing to category-based processing. In addition, a "desired" state within the relationship is hypothesized to exist. This desired state is achieved after each organization has processed sufficient information about the other channel member such that each organization has a well established schema relative to the other channel member. As was mentioned earlier, it is difficult enough to reach this desired state, but is complicated even more when dealing with channel members with different languages, cultures etc.. This difficulty in processing information from and about the new partner prohibits the organization from progressing to the desired state of information processing at the organizational level. This paper presents a model for the progress of the flow of information and the use of local nationals and expatriates in the pursuit of category-based information processing at the organizational level.

It is hypothesized that the initial use of local nationals will accelerate understanding and, hence, the move from piece-meal to category-based processing of information between the boundary personnel. The faster the boundary personnel move to category-based processing of information, the sooner the boundary personnel can assist the organization in moving toward category-based information processing. The desired state of organizational category-based information processing will be best served by the use of an expatriate as the boundary personnel. Determining whether to use a local national or an expatriate in the two levels between the initial and desired states of information processing becomes a series of trade-offs. Specifically, it is necessary for boundary personnel to understand the corporate culture of the organization they represent so that they can evaluate the new channel member based on the criteria that are important to the organization. This level of understanding is most likely to be possessed by an expatriate. However, the expatriate is hypothesized to be less effective than a local national in understanding the language, social culture, and business culture of the new channel member. This paper explains in detail the seriousness of these trade-offs, and offers insight into how to increase the probability that the relationship will progress to the desired state.

It is only through the judicious combination of local nationals and expatriates that an organization can achieve confidence and alacrity in the use of category-based information processing from which all personnel of the organization can correctly base decisions and actions with regard to their partner firm.

BUILDING AND MAINTAINING RELATIONSHIPS WITH CONSUMERS

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ABSTRACT

Building and maintaining relationships with customers in consumer markets depends much more on the outcome of the consumers' value-producing behaviours than on their prepurchase value judgements. This article therefore tries to highlight the antecedents and consequences of the consumers' postpurchase value judgements and to make some suggestions to marketing managers who want to build and maintain sustainable relationships with their customers by making superior contributions to the consumers' production of value.

INTRODUCTION

Many authors have suggested that superior customer value should be considered as the most fundamental challenge for marketing strategy (Webster, 1988; Day & Wensley, 1988; Deshpandé, Farley & Webster, 1993; Jaworsky & Kohli, 1993; Day, 1994; Slater & Narver, 1995). If such a challenge is taken seriously, competitive advantage has to be achieved through a kind of superiority which consumers are both able and willing to demand. Seen from a marketing management point of view buyers should therefore always preferably perceive that the expected value of the firm's offerings exceeds the expected value of any alternative supplied by a competitor.

It is therefore hardly surprising that some of the more recent contributions originating from consumer research reflect a growing interest in examining different aspects of customer value, but these studies have not yet resulted in unambiguous interpretations neither of what these aspects in fact represent, nor of their normative implications for marketing strategy.

It has therefore been considered as worthwhile to explore in further detail some salient dimensions of customer value which are supposed to be decisive for firms trying to create and maintain sustainable relationships with their customers in consumer markets. This will be done by first characterizing the interrelationship between customer value and sustainable competitive advantage. Then some salient antecedents and consequences of customer value are examined by highlighting the importance of postpurchase experience or expectations of consumer value for prepurchase judgements of customer value. Finally some suggestions are outlined for firms trying to create and maintain sustainable relationships with their customers by making superior contributions to the consumers' value-producing behaviours.

THE INTERRELATIONSHIP BETWEEN CUSTOMER VALUE AND SUSTAINABLE COMPETITIVE ADVANTAGE

The essence of strategic management is an integrated organizational focus on securing and sustaining a competitive advantage within the markets served by individual business units (Day & Wensley, 1983). Although advantages reside in superior skills and resources, they are revealed through positioning in competitive product markets. A point of advantage can be exploited profitably only if it represents significant benefits that are perceived and valued by customers and are difficult for competitors to imitate.

Businesses seeking advantage do not necessarily have to manage for lowest costs or differentiation through superior customer value (Day & Wensley, 1988). In consumer markets it is only possible to seek competitiveness through superior customer value, because cost leadership does not represent a positional advantage. Firms are therefore not necessarily "stuck in the middle" (Porter, 1980, p. 43) when they combine low cost strategies with other kinds of differentiation.

Sustainable competitive advantage requires that this advantage represents superior value to customers in the long run. The marketing function can therefore only initiate, negotiate, and manage acceptable exchange relations with key interest groups or constituencies in the pursuit of sustainable competitive advantage in consumer markets (Day & Wensley, 1983), if marketing strategy continuously makes superior contributions to the consumers' value-producing behaviours. The customer can hardly be won as the so-called ultimate prize in consumer marketing (Day & Wensley, 1983), if he or she has not been convinced through

knowledge or experience of superior value that it is desirable to stay a customer. The consumers' postpurchase judgements of value based on the results of their value-producing behaviours are decisive for this outcome.

THE CONSUMERS' PREPURCHASE VALUE JUDGEMENTS

Zeithaml's (1988) work can probably be considered as the most comprehensive characterization of consumers' value judgements which has been published so far. Based on some results from an explorative, empirical study and other findings she concludes that perceived value is the consumers' overall assessment of the utility of a product based on perceptions of what is received and what is given. According to Zeithaml (1988) perceived value represents a trade off between salient give and get components.

The get components include salient intrinsic attributes, extrinsic attributes, perceived quality, and other high level abstractions. The give components include both monetary and non-monetary sacrifices, because consumers have to give up both money and other resources such as, e.g. time, energy, and effort to obtain goods and services.

According to Zeithaml (1988) extrinsic attributes may serve as value signals which can substitute for an active weighing of benefits and costs. In her explorative, empirical study most respondents in fact depended on cues, often extrinsic cues, in forming impressions of value. They did not to the same extent calculate prices and benefits. This seems to suggest that cognitive assessment of value is often limited, even if one would expect to find a more rational evaluation in situations characterized by high information availability, processing ability, time availability, and involvement in the purchase.

By focusing on product and brand choice Zeithaml (1988) highlights consumers' value judgements in the prepurchase stage of decision-making. This approach is very consistent with the mainstream orientation of marketing and consumer research which reflects a bias towards studying primarily those aspects of consumer behaviour which are related most closely to purchase activity. Zeithaml (1988) is therefore highlighting customer value which is the consumers' overall prepurchase assessment of offerings based on perceptions of what has to be sacrificed and what can be received through buying behaviour. The intentions which are based on this overall assessment of customer value can probably be considered as the best single predictor of purchase activity.

VALUE PRODUCTION AND THE CONSUMERS' POSTPURCHASE VALUE JUDGEMENTS

Seen from the consumers' point of view a purchase is hardly essential in itself. Customer offerings have to be transformed more or less in order to be useful, and this process can be carried out only by the consumers themselves. Firms can only help them to accomplish this task in a satisfactory way.

Consumers therefore also form impressions of value after a purchase has been made and a store frequented. If product or store choice has been a trial, the postpurchase judgements of value can even be said to be the primary purposes of purchase activity.

Purchased goods are transformed into value by the consumers themselves through value-producing behaviours which can be more or less self-relevant, symbolic, and combined with more or fewer considerations.

A transformation of acquired customer offerings implies the use of more or less complex value-producing skills. These skills represent stored scripts or script sequences for value-producing behaviours which may be applied as they are or improved before application. This kind of transformation also implies more or less extensive utilization of other resources available inside or outside the household. Such resources which include capital equipment, time, and manpower (Bonke, 1992), can also be purchased, borrowed or hired for specific value-producing purposes.

A transformation of acquired customer offerings can be routinized, simple, or complex which among other things reflect different levels of behavioural and cognitive effort associated with this kind of value-production.

A routinized transformation implies an activation of satisfactory value-producing skills which are applied automatically without any considerations. The level of involvement in the outcome of such a transformation process is probably rather low. The value-producing behaviours are based on the same inputs of other resources as usual, and the use of these resources will be very simple, automatic, and habitual. The consumers are not seeking any kind of new experience through this kind of value-producing behaviour, because it is not needed, and the production activities will probably not require neither much time, nor much cognitive or behavioural effort. As examples of a routinized transformation could be mentioned the opening of the usual pack of cigarettes, decanting the daily bottle of wine, preparing everyday breakfast, or making a cup of tea at the usual time of the day.

A simple transformation implies an activation of some value-producing skills which are not applied automatically. Different procedures are possible which may all be associated with few undesirable consequences. This kind of value production requires some plain calculations of the desired use of other resources. The level of involvement in transforming the purchased items will probably be neither very low nor very high. If felt involvement implies considerations because of perceived risk combined with a rather low threshold of risk tolerance, information-processing will take place. However, information-processing will never be very extensive, because experience-seeking probably is the most important aspect of this kind of behaviour. Examples of a simple transformation are the preparation of a new kind of sauce, the utilization of a new brand of detergent, or the production of a cake by means of new ingredients or new techniques.

A complex transformation implies new and unknown value-producing behaviours which will be perceived as rather self-relevant and risky. These behaviours involve new scripts or script sequences, because stored procedural knowledge will be perceived as unsatisfactory or inappropriate. The rather intensive use of other resources and the needed development of new skills for value production will probably require many considerations. If available resources have to be extended, which may be possible, it will imply risky and rather self-relevant buying behaviours before value production can take place. As this kind of transformation is based on intensive problem solving, there will probably not be much room for experience-seeking. The value-producing behaviour will typically require much time and considerably cognitive and behavioural effort. Examples of a complex transformation of acquired customer offerings are the renovation of a bathroom, the creation of a Japanese garden, or insulation of a house by means of new materials or techniques.

Because consumers transform products through more or less complex, routinized, risky, time-consuming, cost-demanding, or involving behaviours, the overall assessment of the outcome, which represents consumer value, will always depend on perceptions of what has been obtained and what has been sacrificed through the whole process. This trade-off between experienced, salient get and give components of value production does not necessarily imply conscious, detailed, compensatory calculations. Often it is based on rather automatic, affective responses to so-called value signals.

When customer offerings have been transformed into consumer value, the outcome is compared to prior expectations. This comparison can result in positive, simple, or negative disconfirmation (Oliver & DeSarbo, 1988), combined with internal, situational, or external attribution. If positive disconfirmation is attributed to customer offerings and/or the behaviour of sellers, it will probably reinforce buyer and store loyalty.

Negative disconfirmation can result in different decisions and behaviours. Future judgements of customer value will probably be adjusted to the experienced level of consumer value. These adjustments can involve changes in future buying decisions and behaviours, especially when they have been motivated by attributions to the purchased goods or frequented stores. However, consumer value judgements can also imply adjustments of the consumers' value-producing skills and/or the use of other resources with perceived salient consequences for value production. Such adjustments are most likely, when a dissatisfactory value judgement has been attributed to the way purchased goods have been transformed by the consumers themselves. Such adjustment can cause changes in future value-producing behaviours without necessarily causing any changes in the input of purchased goods. Consumer value judgements can finally cause reinterpretations of the salient get and give components or the possible consumer value signals. A given value judgement may be rationalized as wise, even if it has not been wise at all.

CREATING AND MAINTAINING SUSTAINABLE RELATIONSHIPS WITH CUSTOMERS IN CONSUMER MARKETS

Superior profit performance requires that the firm is perceived as offering superior value to its target markets while holding a cost advantage over competitors. A business can differentiate itself more or less on either the get or the give components of customer offerings, but both components have to be taken into consideration at the same time.

As offering superior contributions to the consumers' production of value in the long run probably is the only way to sustainable relationships with customers in consumer markets, superior skills in understanding the salient antecedents and consequences of consumer value can be considered as decisive for this outcome. It takes a long time to put such skills in place, and they are rather difficult to emulate.

However, sustainable relationships will hardly be possible, if such skills are not utilized both effectively and efficiently within a business culture which emphasizes innovativeness, consumer-orientation, marketing imagination, teamwork, cross-functional collaboration, decentralized decision-making, visionary leadership, and a long-term perspective on profitability. Such a business culture is apparently still more the exception than the principal rule.

According to Day & Wensley (1988) superior skills and resources can be turned into positional advantages with salient consequences for customer satisfaction, loyalty, market share, and relative profits. Loyalty, however, is only a result of satisfaction if consumer value is attributed to customer offerings and/or the behaviour of sellers which is not always necessarily the case.

A customer offering does not have a significant competitive advantage compared with some alternative inputs to the consumers' value-producing activities, if consumer value is attributed primarily to specific skills or an effective and efficient use of other resources. Firms should therefore assess their competitiveness in a context where the consumers' postpurchase activities in their entirety are more salient than some more or less important aspects of the customers' acquisition of inputs to value production. Following this approach it will be possible for consumer marketing managers to understand that sustainable relationships with their customers in fact can depend also on the firm's ability and willingness to develop the consumers' value-producing skills and/or to provide them with resources which are decisive for their production of value by means of customer offerings with more or less consumer value potential. As such an insight is decisive for firms seeking competitive advantage by marketing different kinds of input both to a simple and a complex transformation of customer offerings, the antecedents and consequences of consumer value should be researched to a much larger extent than has been the case so far.

Given the increased importance of long-term, strategic relationships with customers and vendors, organizations place increased emphasis on developing skills of interactive management. Such skills should reflect the competence of organizations collaborating on making superior contributions to the consumers' production of value. An organization culture which highlights the importance of making superior contributions to the consumers' production of value should be seen as a key strategic resource which can define the network members' uniqueness, and this resource should be used as a basic instrument for coordinating the endeavours of the single network participants towards common missions and goals.

CONCLUSION

Customer offerings are purchased because consumers can produce value by means of them. The act of transformation requires both skills and the use of other resources.

A transformation of purchased consumer goods can be routinized, simple, or complex. This is due to different levels of behavioural and cognitive efforts which to a large extent reflect different priorities between experience-seeking and information-processing.

A prepurchase assessment of value is always based on more or less personal experience combined with communications of the consumer value potential of customer offerings. As superior customer value hangs on expectations of the outcome of the consumers' value-producing behaviours, competitiveness fundamentally is a question of firms' ability and willingness to make superior contributions to the consumers' transformation of customer offerings.

If a competitive advantage is going to remain in the longer run, the experience of the consumers' value-producing behaviours has to make it desirable for them to stay customers. Sustainable relationships with customers in consumer markets are only possible, if this advantage reflects a positive disconfirmation of consumer value which is attributed to the firm.

However, competitiveness does not depend only on the consumer value potential of customer offerings. Also the firm's ability and willingness to develop the consumers' value-producing skills and/or to provide them with other useful resources is decisive for this outcome. This is probably not at least a challenge for firms seeking competitive advantage by marketing different kinds of output to a complex transformation of customer offerings.

Superior profit performance requires that firms continuously provide their markets with superior contributions to the production of consumer value while holding a cost advantage over competitors. Even if firms in the long run can differentiate themselves more or less on either the get or the give components of consumer value, both components have to be taken into account simultaneously. Superior skills in understanding the salient antecedents and consequences of consumer value can therefore probably be considered as the most fundamental prerequisite for creating and maintaining sustainable relationships with customers in firms operating in consumer markets.

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TOWARD AN UNDERSTANDING OF MATURE MARKETING RELATIONSHIP PHENOMENA

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ABSTRACT

Much of the focus of models and studies of marketing relationships has been on relationship formation with scant attention being paid to the mature relationship. A mature marketing relationship, one which is ongoing between buyer(s) and seller(s), exists when the parties to a relationship have gone beyond formation. The initial boundaries of parties to the relationship have been established and some level of commitment exists. A key turning point in the shift from formation to maturity occurs when there has been an investment of some form (time, personnel, money) in the relationship. Yet, how these investments are managed, how parties to a relationship behave once a relationship has been initiated has not been specifically addressed in the marketing relationship literature.

Existing models of marketing relationships are somewhat similar in that they are comprised of stages which capture initiation, formation, development and maturity (e.g., Dwyer, Schurr, and Oh 1987; Wilson 1995). A few models also include the possibility that a separate stage exists to address issues of termination. But factors which may lead to this final stage have never been fully explored. Borrowing from the interpersonal relationship literature in psychology, this paper presents a framework to specifically examine the nature of mature marketing relationships.

An important distinction in mature marketing relationships is that the investments made in a relationship can result in continuing a relationship which is in fact unstable (Duck 1982). Mature relationships are not restricted to partnerships that are free from stress (i.e., stable). Unstable relationships can respond to stress in one of four directions, only one of which leads to termination. The four responses proposed in this paper are exit (termination), loyalty, neglect, and voice (Rusbult 1987). Through incorporation of the conflict and brand loyalty literature, this framework provides a means of understanding some of the dimensions of each of these patterns of behavior that characterize unstable relationships.

Research which investigates behavior in mature relationships, particularly what characterizes the difference between a stable and unstable relationship needs to be completed. The framework presented in this paper provides a first step in this direction.

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THE EFFECTS OF ORGANIZATIONAL REDESIGN ON BUYER-SELLER RELATIONSHIPS

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ABSTRACT

This paper examines the effects of organizational redesign on buyer-seller relationships. As shown in [Figure 1](#), the relationships examined are between (1) downsizing and organizational structural changes, (2) downsizing and outsourcing, and (3) organizational structural change and buyer-seller relationships. Relevant theories are discussed and a set of testable propositions are developed.

INTRODUCTION

The pace of organizational change has accelerated, competitive pressures have intensified, and most organizations are now forced to operate within much more complex environments than was the case a *relatively* few years ago. In the past, many organizations in the United States (as well as in other countries) focused on vertical integration as a means of increasing control in uncertain environments (cf., Williamson 1975) and/or taking advantage of economies of scale. Today, however, organizations are finding it less beneficial to own and operate a large number of factories or to employ a large number of people. Increased global competition has caused many organizations to realize that the key to survival is not "high-volume" but, instead, "high-value" (Gupta and Zhender 1994).

As a result of the changes taking place within the business environment and their concurrent impact on corporate structure, the past several years have seen seemingly endless examples of organizational downsizing (McKinley, Sanchez, and Schick 1995). Even as the economy as a whole expands, many organizations are continuing to downsize, and experts believe that the downsizing trend is far from over. In general, when organizations downsize the number of requisite tasks initially remains constant, but fewer people are available to accomplish these tasks (Sutton and D'Aunno 1989). Therefore, as the managerial paradigm shifts from "high-volume" to "high-value," companies are being forced to identify exactly where they have the greatest competitive advantage and to redefine their organizational structures to maximize that advantage. An increasingly common way that organizations are trying to increase flexibility and generate "high-value" is through outsourcing (Gupta and Zhender 1994).

Because of these environmental and organizational trends, a considerable amount of attention recently has been directed toward the phenomena of downsizing, restructuring (re-engineering), and outsourcing; especially in the organizational management and psychology literatures and in the popular business press. Most of this interest has focused on the performance of firms embracing such initiatives and on the expected benefits of these types of restructuring. However, comparatively little attention has been directed toward the organizational and managerial effects of these practices and/or the manner in which downsizing and outsourcing may influence the structure of the organization and the behavior, roles, and functions of its employees (Bresnen and Fowler 1994). Recently, Sheth (1996) argued that the effects of increasing global competition, industry restructuring, use of outsourcing strategies, and use of information technologies have reorganized the procurement function and caused fundamental changes in organizational buying behavior. As a result, "... most of the academic research and theory related to organizational decision making including the buying center concept, make vs. buy, sources of interdepartmental conflict and its resolution, and buyer-seller negotiations will become obsolete ... The consequence of changing paradigms of organizational buying behavior ... is generating numerous opportunities for innovative and insightful academic research" (Sheth 1996).

RELEVANT THEORY AND SUGGESTED PROPOSITIONS

Threat-rigidity thesis (Staw, Sandelands, and Dutton 1981), classic administrative theory (Blau 1970; Child 1973), and the more recent works of Sutton and D'Aunno (1989; D'Aunno and Sutton 1992) provide the theoretical grounding for many of the propositions presented in this paper. Additional support is found in the organizational behavior and marketing literatures.

Organizational Structure

Staw, Sandelands, and Dutton's (1981) threat-rigidity thesis posits that reductions in organizational resources (i.e., work force size, financial stability) are threatening to organizational members. The anxiety generated by such threats is proposed to lead to rigid organizational structures, many of which can be described as mechanistic shifts (Burns and Stalker 1961). The resulting mechanistic rigidities are (1) restriction in information processing, (2) constriction of control, and (3) risk averse behavior on the part of decision makers, employees, and work groups.

Thus, to the extent that decreasing size is threatening, organizations that are reducing their work force (e.g., through downsizing) and/or losing sales or profits (e.g., through increased competition) are expected to shift toward more mechanistic structures as a means of coping with the threat through increased coordination and control. In addition, when threatened by the loss of these same resources, organizational members will tend to become more risk averse and tend to rely more heavily on well-learned responses and beliefs even if these responses and beliefs are inappropriate in the current environment.

In contrast to threat-rigidity thesis, classic administrative theory proposes that as organizations grow in size and complexity they experience an increased need for coordination and control. As a result, even though economies of scale reduce the need for line (and to some extent, staff) personnel, the increased need for coordination and control will require increases in staff personnel to oversee operations (Blau 1970). In addition, classic administration theory suggests that formalization of rules and procedures, restriction in information processing, and centralization of authority are the most common means used to increase coordination and control of the more complex organizational system (Child 1973). Thus, increases in organizational size will cause a shift to a more mechanistic system of management.

However, if we reverse the logic proposed by classic administrative theory (cf., Sutton and D'Aunno 1989), size *decreases* should create opposite effects. That is, because work force reductions cause changes in size that are the opposite of those occurring during growth, problems of coordination and control are reduced and, thus, can be handled by less mechanistic means. Structural change should also follow a reverse path and the long-term outcome of work force reduction will be less mechanistic structures. Therefore, organizations should respond to work force reduction by replacing impersonal, mechanistic structures with more personal, flexible methods of coordination and control (i.e., participative decision making, increases in information processing). This is precisely the reverse of the effects predicted by threat-rigidity thesis for organizations facing the threat of work force reduction. This seemingly contradictory set of expected outcomes stimulated the more recent work of Sutton and D'Aunno (1989; D'Aunno and Sutton 1992) as follows.

Sutton and D'Aunno (1989) proposed that a significant reduction in work force size evokes *both* (a) mechanistic shifts in organizational structure due to the increased anxiety among surviving organizational members and (b) at the same time, a decrease in the organization's need for coordination and control brought about by the smaller work force. These competing forces occur simultaneously, but, in the short-term, the anxiety produced by the loss of resource will prevail and the expected mechanistic shifts will likely occur. However, in the longer-term, once the anxiety provoked by work force reduction wanes, organizations will discard many of these mechanistic means of coordination and control. This will occur because smaller organizations tend to be less structurally complex, they have smaller numbers of occupational categories, fewer hierarchical levels, and they are less spatially dispersed.

To clarify their propositions, Sutton and D'Aunno (1989) conceptualized a two-phase (two-stage) model. During **Stage-1** (or in the short-term) and in accordance with the psychological threat-rigidity thesis, the stress and anxiety brought about by work force reduction and/or financial instability leads to rigid structures which are implemented through a set of mechanistic shifts. These mechanistic shifts include increased use of formal rules and procedures, greater job standardization, increased centralization of authority, and restriction of information. Sutton and D'Aunno (1989) argue that, "... in the short term, this threat induced stress and anxiety will be sufficiently distracting to managers so that the decreased need for coordination and control will go unnoticed." However, in the longer-term the threat abates and, following the sociological administrative theory, a second shift occurs. This second shift moves the organization into the second stage of the model, **Stage-2**. During this second stage, as the stress and anxiety induced by work force reduction subsides, organizational structures will adjust to the needs of the smaller work force. And, over time, the decreased need for coordination and control over the smaller organization will persist. Thus, in the long-term, coordinating

and controlling the smaller organization will require less reliance on formalization and standardization of organizational procedures and less dependence on routinized jobs that restrict employee autonomy. The preceding discussion suggests the following:

- P₁: Stage-1 organizations, as compared to Stage-2 organizations, will adopt more mechanistic structures characterized by:
- a) higher levels of centralization of authority.
 - b) greater emphasis on formal rules and procedures.
 - c) lower levels of participative decision making.

Several potential moderators (constraints) may amplify or dampen the strength of short-term effects, and/or may hasten or stall the transition from short-term to long-term effects brought about by work force reductions. These moderators include (1) the severity (degree) of the downsizing initiative(s), (2) the tactics used to implement the downsizing initiative(s), and (3) the extent to which organizational stakeholders' outcome expectations are positive or negative. First, the degree of downsizing can significantly influence the strength of the anticipated effects. Greater reductions will have more negative effects than smaller reductions. Second, the extent that work force reduction is perceived as threatening may depend on the means through which it is accomplished. It is expected that the use of severe strategies will be more threatening and provoke more pronounced and longer lasting mechanistic shifts in structure, while the use of less severe strategies will provoke less pronounced and less lengthy mechanistic shifts. Third, organizational members' collective expectations of the outcomes of downsizing can influence the predicted effects. To the extent that such positive perceptions are collectively held, it is expected that downsizing will lead to less rigidity in structure and that the transition from Stage-1 to Stage-2 will occur more quickly. In contrast, if collective perceptions are negative and downsizing is expected to result in a weakened organization, greater rigidity is expected and will likely continue until these collective negative perceptions subside. Thus:

- P₂: Increases in *degree of downsizing* will moderate the relationship between *stage of downsizing* and
- a) centralization of authority,
 - b) emphasis on formal rules and procedures,
 - c) levels of participative decision making,
- such that the relationship will be strongest in organizations with a high degree of downsizing and weakest in organizations with a low degree of downsizing.
- P₃: The severity of the *implementation tactics* used to downsize will moderate the relationship between *stage of downsizing* and
- a) centralization of authority,
 - b) emphasis on formal rules and procedures,
 - c) levels of participative decision making,
- such that the relationship will be strongest in organizations utilizing more severe implementation tactics and weakest in organizations utilizing less severe implementation tactics.
- P₄: *Outcome expectations* will moderate the relationship between *stage of downsizing* and
- a) centralization of authority,
 - b) emphasis on formal rules and procedures,
 - c) levels of participative decision making,
- such that the relationship will be strongest in organizations where employees hold greater negative outcome expectations and weakest in organizations where employees hold less negative outcome expectations.

Downsizing and Outsourcing

When organizations downsize, the number of tasks to be accomplished within the organization initially remains constant, but fewer people are available to accomplish the tasks. In the short-term, downsizing organizations frequently assume that the remaining employees will simply "work harder" to accomplish organizational tasks. Over time, however, these expectations become increasingly unrealistic. Consequently, one important outcome of recent downsizing is the growing trend toward outsourcing;

whereby organizations increasingly rely on third-party specialists to provide a variety of products and services that were traditionally provided in-house (Bresnen and Fowler 1994). Thus:

- P₅: Stage-2 organizations will utilize a higher degree of outsourcing as compared to Stage-1 organizations.
- P₆: Increases in *degree of downsizing* will moderate the relationship between *stage of downsizing* and *degree of outsourcing* such that the relationship will be strongest in organizations with a high degree of downsizing and weakest in organizations with a low degree of downsizing.

APPLYING THESE THEORIES TO BUYER-SELLER RELATIONSHIPS

The major thesis of this paper is that the anxiety produced by organizational redesign leads to short- and long-term shifts in the way downsized organizations are structured and managed. These shifts, in turn, affect behaviors and attitudes of organizational members, in general, and to the development and maintenance of strategic buyer-seller relationships, in particular

Buyer-Seller Relationships: Trust, Commitment, and Flexibility

Recently, there has been a significant increase of interest (in theory, research, and practice) focusing on buyer-seller relationships (c.f., Anderson and Narus 1990; Morgan and Hunt 1994). Seen by some (e.g., Webster 1992) as a fundamental reshaping of the field, many agree that in today's competitive environment strategic buyer-seller relationships can provide a basis for competitive advantage. With this in mind, companies are looking to their suppliers to help them achieve stronger competitive advantage. One way they are doing this is by largely abandoning the multi-source adversarial model of buyer-supplier relationships, and instead, embracing a more cooperative, single- or reduced-source model (Lewin and Johnston 1996). From a theoretical perspective these trends imply that traditional, discrete relationships are increasingly being displaced by closer, long-term buyer-seller relationships. From a managerial perspective, they imply that the formation of these relationships is becoming a strategic decision variable (for both buyers and sellers) in its own right (Heide 1994).

Because of this, understanding the theoretical and practical aspects of these important buyer-seller relationships is becoming a central research paradigm (e.g., strategic alliances, relationship marketing, channel governance). However, while a growing body of conceptual and empirical literature addresses various aspects of these buyer-seller relationships, some of the prominent theoretical frameworks make significantly different assumptions about the nature of these interfirm relationships. For example, in terms of reaction to environmental uncertainty (threat) and efficient structural form, several marketing theories share some of the same idiosyncratic (contradictory) views as do psychology's threat-rigidity thesis and sociology's classic administrative theory. Like threat-rigidity thesis, transaction cost analysis and resource dependence theory prescribe increased control as a way of reducing the threat of environmental instability. In contrast, similar to classic administrative theory, the political economy framework and relational exchange theory prescribe increased flexibility and cooperation in the face of environmental instability. Each of these perspectives has been supported by a number of empirical investigations.

Perhaps, as Sutton and D'Aunno (1989) observed in regard to threat-rigidity thesis and classic administrative theory, each theory makes its own significant contribution to our general understanding of organizational form and behavior. However, it is the timing and more narrow (micro) focus of the supporting empirical work which leads to these seemingly contradictory findings. When combined, and viewed over time, each theory may represent part of the explanation of the evolution taking place in the global organizational environment. Adopting this perspective and applying it to contemporary buyer-seller relationships, the following are proposed:

- P₇: Buyer-seller relationships in Stage-1 organizations will be characterized by lower levels of relationship trust as compared to buyer-seller relationships in Stage-2 organizations.
- P₈: Buyer-seller relationships in Stage-1 organizations will be characterized by lower levels of relationship commitment as compared to buyer-seller relationships in Stage-2 organizations.

- P₉: Buyer-seller relationships in Stage-1 organizations will be characterized by lower levels of relationship flexibility as compared to buyer-seller relationships in Stage-2 organizations.

A growing number of corporations are forging mutually beneficial, strategic arrangements with both their traditional suppliers, as well as with their outsourcing vendors. The goal is to create a network of organizations that work together to perform the functions previously carried out within a single hierarchical corporate structure (Caldwell 1996). One way of achieving these goals is to move away from unilateral modes of exchange governance and toward bilateral (relational) modes of governance. While modes of governance do not ensure performance directly, they prescribe the appropriate mix of formal controls and relational norms that will yield desired outcomes (Dahlstrom, McNeilly, and Speh 1996). Whereas formalized procedures are generally thought to streamline operations in market-based transactions, formalization is *unlikely* to enhance interfirm interaction and performance in long-term relationships. Rather, the parties to ongoing, bilateral exchange relationships are inclined to nurture the interfirm relationship through relational norms. Participative decision making provides the opportunity to establish norms and also enables parties to adjust to marketplace uncertainty (Dahlstrom, McNeilly, and Speh 1996). Empirical support for this position can be found in the works of Dahlstrom, McNeilly, and Speh (1996), McLellan and Marcolin (1994), and Daugherty and Droge (1990). Applying these works to the framework developed here, the following are suggested:

- P₁₀: Increases in *degree of outsourcing* will mediate the effects of *stage of downsizing* such that **buyer-supplier relationships** in Stage-1 organizations utilizing a high degree of outsourcing, as compared to Stage-1 organizations utilizing a lower degree of outsourcing, will be characterized by:
- a) higher levels of trust.
 - b) higher levels of commitment to the relationship.
 - c) higher levels of flexibility.
- P₁₁: Increases in *degree of outsourcing* will mediate the effects of *stage of downsizing* such that **buyer-supplier relationships** in Stage-2 organizations utilizing a high degree of outsourcing, as compared to Stage-2 organizations utilizing a lower degree of outsourcing, will be characterized by:
- a) higher levels of trust.
 - b) higher levels of commitment to the relationship.
 - c) higher levels of flexibility.

CONCLUSION

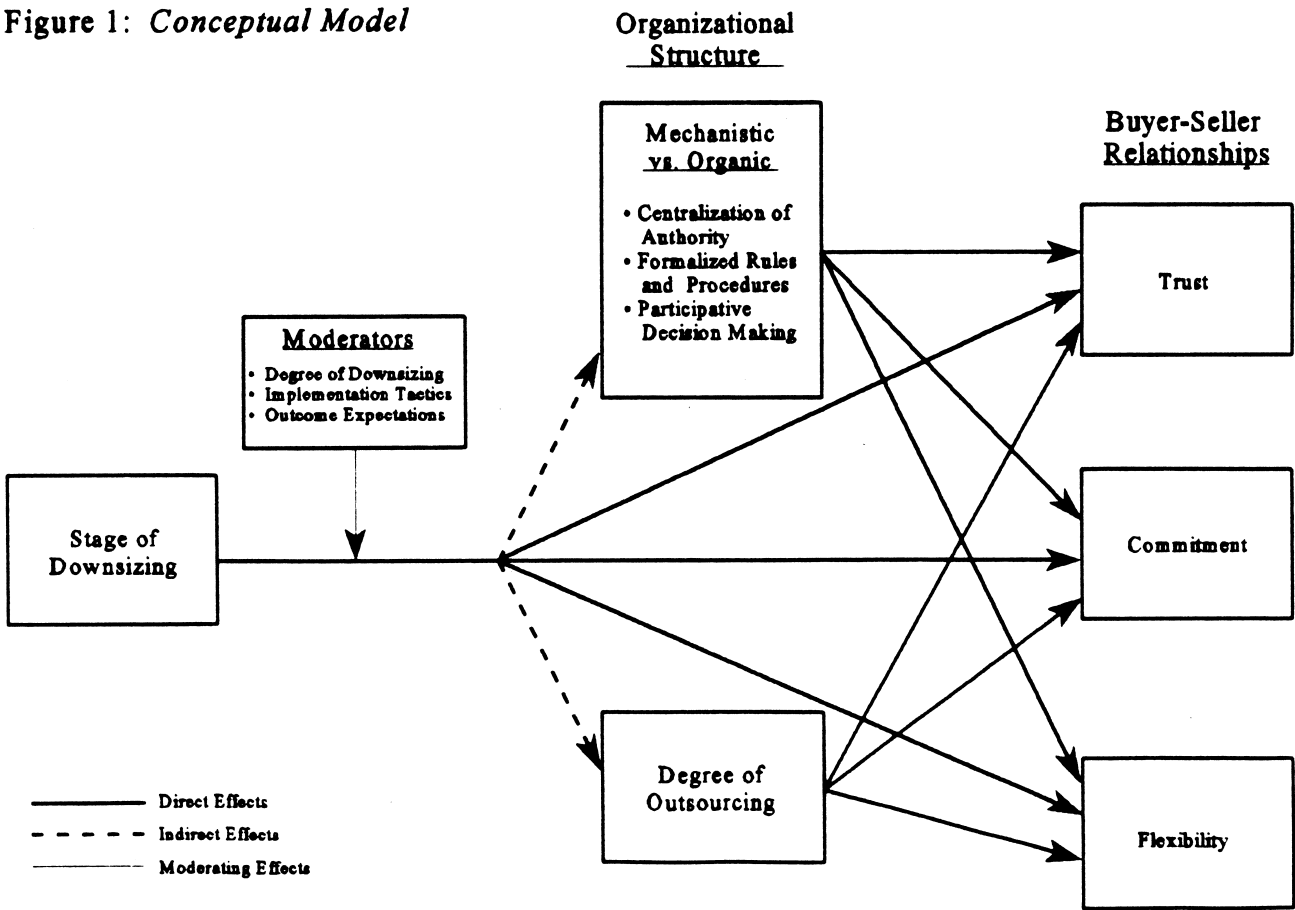
Briefly, based on theories developed in the sociology, psychology, and organizational behavior literatures, I propose that the anxiety produced by organizational downsizing and redesign leads to short- and long-term shifts in the way downsized organizations are structured and managed. Further, it is posited that these anxieties and structural shifts lead to changes in the nature of interfirm buyer-supplier relationships. It is also proposed that the impact of downsizing and redesign will be different for organizations that are currently downsizing or have recently completed downsizing (Stage-1 organizations) as compared to organizations that have completed their downsizing initiatives, have not downsized for at least two years, and are not expected to downsize further in the foreseeable future (Stage-2 organizations).

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Figure 1: *Conceptual Model*



DIFFERENTIATING SERVICES - THE MARKETING OF AFFINITY CARDS

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ABSTRACT

Affinity credit card programs began as a market Development strategy. While these programs offer many strategic benefits and have been very successful, some industry experts suggest that such programs have cannibalized existing credit card programs. This research utilized empirical data to identify Differences between the consumers who only hold affinity cards, those who hold both affinity and nonaffinity cards, and those who hold only nonaffinity cards. The focus of this study was on determining whether affinity cards have provided a successful venue for differentiating credit card services.

INTRODUCTION

Differentiation generally refers to the act of adapting an offering in order to match it more precisely to the needs of a target customer (Bell 1986). Common methods employed by product marketers to differentiate their offerings include changes in product form, packaging and identification (Bell 1986).

The unique nature of services creates new issues and challenges for differentiation. Specifically, the intangible nature of services prompts customers to look for clues about the quality of the service in the tangibles associated with the service (Berry 1980). For this reason, service firms must consider the tangible elements of their offering in order to provide customers with evidence of the service "reality" (Shostack 1977). To make the service offering more tangible, and thus more easily differentiated from other service offerings, service firms may either create a physical representation of the offering (Berry 1980) or control the setting in which the service is distributed (Shostack 1977).

Firms within the bank card industry have utilized this concept to differentiate their offerings. The service of extending credit, for example, is physically represented as a specially encoded plastic card that when used, triggers the service. Berry (1980) noted that "the existence of the plastic card has allowed Visa to physically differentiate the service through color and graphics and to build and even extend a potent brand name . . . "

The emergence of affinity card programs in the mid 1980's provided bank card companies with additional opportunities to utilize branding and symbolism to create different "products" aimed at different segments of consumers. Affinity cards could not only be differentiated from competitors' offerings, but also from other offerings by the same firm (Fitzgerald 1996). In addition, affinity cards provided opportunities to create emotional affiliations (Lefton 1996) which were more likely to engender sustained customer loyalty (Shermach (1996).

The present study was designed to identify the demographic differences between affinity and non-affinity card holders in order to assess the degree to which affinity card programs have been successful in developing new credit customers. This research also examines differences among consumers of various types of affinity cards.

THE COMPETITIVE ENVIRONMENT

Credit card issuers face a highly competitive and increasingly saturated market. By the end of 1995, the top 25 card issuers had more than 227.5 million credit card accounts in the U.S. alone (Fitzgerald 1996). These companies, however, continue to scramble for new accounts. In 1995, American consumers were bombarded with 2.7 billion credit card offers (Speer 1996)! As consumers are inundated with more and more credit card offers, the acceptance rate has declined to an average of 1.5% (Duclaux 1996).

Credit cards have become so widely accepted that 75% of U.S. households hold at least one bank card, and most hold more than one (Speer 1996). The average household has three to four bank credit cards and an additional five to six other credit cards (Speer 1996).

In this environment, credit card issuers have relied upon two strategies to produce continued growth. The first strategy has been to increase market penetration by providing consumers with incentives for more frequent card use. Many credit card offers are now linked with other companies to offer a wide variety of rebates and bonus programs to consumers. These cards, called co-branded cards, can offer consumers rebates on purchases of everything from groceries to long distance telephone calls. Co-branded cards can also enable the user to earn points which can be redeemed for products or additional benefits.

The second strategy has been one of market development. Credit card issuers have attempted to expand their market share by appealing to new consumer segments or niches (Wood 1987). Credit card issuers have tailored cards to specific groups of consumers by offering cards that are affiliated with an organization, a profession, or an interest group (Speer 1996).

Affinity cards are generally perceived more positively by consumers (Wood 1987) and provide benefits to both the issuer and the affiliated organization. In return for endorsing the card and encouraging members to sign up, the affiliate organization receives a portion of the charges that are made with the card (O'Sullivan 1997). The issuing institution benefits from the consumer's identification with the affiliate organization. The emotional ties between the consumer and the affiliate organization create brand (card) loyalty and long-term product differentiation which cannot be copied by competitors (Shermach 1996).

Sophisticated data-base marketing techniques have enabled credit card issuers to target consumers based on virtually any common factor. Affinity cards have been issued for university alumni associations, sports teams, professional associations, and a variety of interest groups (O'Sullivan 1997). A new affinity card, the Rainbow Card Visa, even targets gay and lesbian consumers (Marketing News, 1997).

While affinity cards have provided credit card companies with an infinite number of ways to create differentiated products, some critics charge that these cards have not expanded the number of credit card holders but have merely taken customers from existing bank card programs.

To address these concerns, this study examined differences between consumers (1) who only hold affinity cards, (2) who hold both affinity and nonaffinity cards and (3) who hold only nonaffinity cards. By examining the differences between these three consumer groups it is possible to determine if separate and distinct market segments exist for each type of card.

HYPOTHESES

The premise of this study was that consumers who hold only affinity cards differ from consumers who hold only traditional bank credit cards and from consumers who hold both affinity and traditional bank credit cards. To identify how these consumer segments differ, the following hypotheses were tested:

- H-1: There will be age differences between the three consumer groups.
 - a) Those who only hold affinity cards will be younger than those who only hold nonaffinity cards.
 - b) Those that hold both affinity and nonaffinity cards will be older than those who have only affinity cards but younger than those who only have nonaffinity cards.
- H-2: There will be income differences between the three consumer groups.
 - a) Those who only hold affinity cards will have higher incomes than those who only hold nonaffinity cards.
 - b) Those who hold both types of cards will have income levels lower than those who hold only affinity cards but higher than those who hold only traditional, nonaffinity cards.

- H-3: There will be educational differences between the three consumer groups.
- a) Those who hold only affinity cards will have higher levels of education than those who only hold nonaffinity cards.
 - b) Those who hold both affinity and nonaffinity cards will have education levels lower than those who hold only affinity cards but higher than those who hold only traditional, nonaffinity cards.
- H-4: There will be differences in marital status between the three consumer groups.
- H-5: There will be gender differences between the three consumer groups.

METHODOLOGY

The hypotheses were tested with a quota sample of 409 credit card holders (Mastercard or Visa). The sample was drawn from a variety of locations in a large metropolitan area. Locations were specifically chosen to draw a wide spectrum of the population.

Data were gathered in personal interviews on a structured questionnaire. Information was gathered on affinity card possession, age, income, education, and occupation of both the respondent and the respondent's spouse. In addition, information on the respondent's sex and marital status was collected. Due to the sensitive nature of some of this demographic information, respondents were presented with categorical response options.

Affinity credit card possession was a self reported measure. Respondents were asked to indicate, by marking the appropriate categories, whether they have a Visa, MasterCard, or both. Respondents were then asked to indicate the type of Visa or MasterCard they possessed. Response options included 7 separate categories: regular, gold, affinity, regular and gold, regular and affinity, gold and affinity, and all three. These categories were collapsed into three groups representing: (1) those holding only affinity cards, (2) those holding both affinity and nonaffinity cards and (3) those holding only nonaffinity cards.

Respondents who held affinity cards were also asked what types of affinity cards they carried. Three main types of cards were identified, sports related affinity cards, travel related affinity cards, and AT&T affinity cards.

RESULTS

Of the respondents in this sample, 19% indicated that the only credit cards they had were affinity cards. Twenty-five percent of the sample respondents indicated that they had both affinity and traditional bank credit cards, and 56% of the respondents had only traditional (nonaffinity) bank credit cards.

The hypotheses were tested using Chi-square analyses. A summary of the results is presented [Table 1](#).

Age. The results indicate that there is no difference in the age of respondents in the three groups. Age is, therefore, not associated with holding specific types of credit cards. Hypothesis 1 is not supported by the data.

Income. The results indicate that household income level is not associated with holding specific types of credit cards. There is no difference in the household income of respondents in these three groups. Hypothesis 2 is not supported.

Education. Hypothesis 3 related education to the three credit card groups. The results indicate that there is a relationship between education and the types of credit cards held by consumers. The cross tabulation frequencies show that 50% of college graduates hold only nonaffinity cards, and 26% of college graduates hold only affinity cards.

While half of the college graduates hold only traditional, nonaffinity cards, the 26% who hold only affinity cards represent the largest proportion of exclusive affinity card possession of the three education groups. College graduates appear more likely to rely exclusively on affinity cards than those who had more, or less, education.

Marital Status. Hypothesis 4 related marital status to the types of credit cards held. The results do not supported hypothesis 4. There is no association between marital status and holding specific types of credit cards.

Gender. The test of hypothesis 5, which related gender to the type of credit cards held, has a significant chi-square value. Inspection of the cross tabulation frequencies indicates that males are more likely to hold affinity cards than females. Fifty-three percent of males held an affinity card (either exclusively or along with traditional bank credit cards) versus 33% of females. Among female respondents, however, 67% held only nonaffinity cards compared to 47% of male respondents.

Types of Affinity Cards

The type of affinity cards held by various demographic groups was also examined. An overview of these results is presented in [Table 2](#).

Age. Consumers from 18 to 34 years old are the most likely to have sports affiliated affinity cards (58% vs. 34%). Those consumers from 35 years old and up are more likely to hold travel related affinity cards (50% vs. 26%). The AT&T affiliated card draws equally (16%) from both age groups.

Income. Consumers with incomes of less than \$40,000 are the most likely to have sports affiliated affinity cards (63% vs. 36%). Consumers with incomes of \$40,000 or more appear to be more attracted to travel related affinity cards (45% vs. 24%). The AT&T card draws more heavily from higher income families (\$40,000 or more; 19%) than from lower income families (incomes of less than \$40,000; 14%).

Education. College graduates are more attracted to sports affiliated affinity cards (60% of college graduates). Those consumers with graduate education and those without a college degree seem to prefer travel related affinity cards (59% and 40% respectively). Those without a college degree comprise the largest group of AT&T card holders (26%).

Marital Status. Single consumers are much more likely to hold sports affiliated affinity cards than are married consumers (59% vs. 35%). Married consumers are more attracted to travel affiliated affinity cards than are single consumers (48% vs. 24%). The results also indicate that singles are just as attracted to the AT&T cards as married consumers. It appears that marital status affects the type of affinity card the consumer holds.

Gender. Females are more likely to hold travel related affinity cards (45% vs. 32%) and AT&T cards (29% vs. 11%). Males are more likely to hold sports related affinity cards (57% vs. 26%). The type of affiliation differentially attracts males and females.

CONCLUSIONS

The marketing objective behind the launching of the first affinity card program has been stated as one of market development, or an attempt to attract new accounts. Thus, it was essential to differentiate the affinity program from existing credit card services offered by the firm. Such differentiation is achieved in the affinity program by making the decision to possess and use a credit card more ego-involving through the card's association with a special group which is important to the prospective customer.

Affinity card holders do differ demographically from nonaffinity card holders. Only a small percentage of consumers hold only an affinity card (19%), although some consumers do hold both affinity and nonaffinity cards (25%). It appears from this analysis that affinity cards do appeal to a unique group of consumers and thus, cannibalization of existing credit card programs is not a severe problem. The largest percentage of consumers still hold only traditional, nonaffinity bank cards (56%). This research suggests that affinity programs are a viable for increasing new accounts, though many of these accounts are duplicate accounts for the same customers.

It is possible that even if affinity programs do cannibalize existing ones, companies may still want to implement these programs. In this study, 46% of the respondents who hold both an affinity card and other bank credit cards report that they used the

affinity card more frequently than the nonaffinity card. Only 19% of the respondents indicated that they used their nonaffinity card more frequently.

In addition, because consumers may not perceive a difference between the traditional bank cards (MasterCard and Visa), these companies may experience difficulty getting holders of the rival cards to hold another traditional bank card. These companies may find it easier to penetrate the rival's customer group through the introduction of affinity cards which are perceived as being "different." Affinity cards provide an avenue for creating lasting product differentiation which cannot be copied.

There are demographic differences between credit consumers who hold affinity cards and those who hold traditional nonaffinity cards. It does not appear from this research that cannibalization is a serious problem. Consumers are not giving up their traditional bank cards but rather are adding another (affinity) card. Even if cannibalization becomes a problem in the future, however, companies can still gain important strategic benefits from affinity cards. Affinity programs have given credit card issuers an important strategic weapon to use in competing in a highly competitive industry.

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TABLE 1
STATISTICS ON TESTS OF HYPOTHESES

Credit Card Groups Vs.	Chi-Square	df	p-value
(1) Age	0.37	2	.8318
(2) Income	1.22	2	.5428
(3) Education	7.92	4	.0946
(4) Marital Status	3.80	2	.1498
(5) Gender	17.06	2	.0002

TABLE 2
STATISTICS ON TYPES OF AFFINITY CARDS

Type of Affinity Card Vs.	Chi-Square	df	p-value
(1) Age	9.87	2	.0072
(2) Income	9.67	2	.0080
(3) Education	17.68	4	.0014
(4) Marital Status	10.00	2	.0067
(5) Gender	15.07	2	.0005

CONJOINT ANALYSIS AS AN INSTRUMENT FOR MARKETING CONTROLLING IN SERVICE COMPANIES: THE EXAMPLE OF THE MANNHEIM NATIONALTHEATER

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ABSTRACT

A new marketing concept was introduced by the Mannheim Nationaltheater at the start of the 1996/97 season. An empirical study attempts to determine whether theater patrons derive a greater utility from the new concept or from that effective during the previous season. The suitability of the conjoint analysis as an instrument for marketing controlling is demonstrated convincingly.

PUBLIC THEATRE COMPANIES - A BALANCING ACT BETWEEN COMMERCIAL REQUIREMENTS AND SOCIO-POLITICAL OBJECTIVES

Although the financial crisis currently being experienced by public theatre companies is not a new phenomenon, it is increasingly moving into the focus of attention as a result of the massive pressure on local governments in Germany to save money, and in the meantime is endangering the existence not only of isolated departments but also of whole theaters (Hoffjan 1994, p. 292). Despite the fact that the cultural sector continues to receive government subsidies amounting to around US \$ 5,000 million per year, expenditure on culture has declined steadily over the past few years to a level just under 2 % of the Federal budget. Even a stagnation in subsidies represents substantial losses for cultural enterprises, as their budgets are eaten up by inflation and salary rises.

The need to restrict public expenditure has moreover led to considerable pressure on theaters to justify their actions vis-à-vis legal entities and the population at large. Against the background of these developments, the latest trend in a growing number of theatre companies is to place their hopes of finding a solution to the financial and structural crisis in increased marketing orientation. This is also the policy that has been pursued by the Mannheim Nationaltheater since the start of the 1996/97 season; it has attempted by means of an image campaign to reposition itself on the market, to secure new categories of patrons, to enhance the utility to its audiences by modifying its range of services and to raise its income by putting up prices.

The innovations outlined here met with both curiosity and scepticism on the part of the press and the general public. The new price structure in particular led to manifestations of displeasure as a result of comparisons with the prices in other German theaters. The outcome of this situation was that the theatre management was faced with a twofold challenge, namely on the one hand monitoring the effectiveness of the decisions that had been taken and on the other hand analysing any discrepancies that were revealed between the anticipated and actual results.

THE CONJOINT MEASUREMENT AS AN INSTRUMENT FOR CONTROLLING AND MONITORING THE ACTIONS OF MARKETING POLICY

In addition to careful planning of marketing processes, a crucial role is played by the monitoring and feedback methods employed for controlling them (Kotler and Bliemel 1992, p. 1055). The constitutive elements of a control system of this kind are clearly formulated goals, measurements of the actual results and comparisons with the anticipated results, diagnoses of the causes of any discrepancies and appropriately derived countermeasures (Kotler 1978, p. 249; Böcker 1991, p. 106).

The main emphasis of a marketing control system is generally on financial parameters, such as turnover, profit, contribution margin and market share. However, these indicators provide no direct clues with regard to the accomplishment of the performance goals, nor are they able to measure the utility brought about by a commodity or other relevant aspects of consumer behaviour (Stauss 1987, p. 322). They are moreover vulnerable to disturbance variables and react relatively inflexibly to changes in satisfaction, so that they are only suitable to a very limited extent as a means of exposing discrepancies between the perceived and anticipated quality of a performed service in a way that is considered to be valid (Riemer 1986, p. 20). Since marketing places the

wants and needs of the consumer at the centre of entrepreneurial actions, however, orientation towards the customer's utility expectations is also an extremely important element of marketing controlling.

This challenge can be confronted particularly effectively using the conjoint measurement method. This method is normally employed as part of the process of designing new products - and to an increasing extent new services (Cattin and Wittink 1982, p. 45; Wittink and Cattin 1989, p. 92; Wittink, Vriens and Burhenne 1994, p. 41; Green and Srinivasan 1978, p. 117; Bauer, Herrmann and Mengen 1996, p. 79). Other study objects include pricing decisions, competition research, market segmentation and product positioning. Although the application of this method to the area of marketing controlling has so far not been discussed in marketing literature, it would appear meaningful on account of the isomorphic nature of the issue. The appraisal of the adequacy of a bundle of services for satisfying wants, on the basis of the utility it provides (before/after comparison), can thus be taken as the starting point for a qualitative control of this bundle's effectiveness (Nieschlag, Dichtl and Hörschgen 1997, p. 206).

It would consequently also be conceivable to consider a (newly) implemented bundle of services in relation firstly to the bundle that yields the maximum utility from the point of view of the consumer and secondly to the old concept. The ability of the implemented changes to satisfy wants can be verified, and starting points for (further) increasing the utility to the customer identified, with the aid of a desired-actual analysis. The individual marketing measures form the attributes in this type of investigation, while their design variants represent the different attribute levels. These levels always include the states before and after the implementation of the new concept. The part-worths of the attribute levels that are determined by means of the conjoint analysis permit the preferences for the bundles of services offered in a previous market period and the current market period to be compared. If it is possible to establish a satisfactory degree of improvement in the utility to the customer, the implemented measures can be considered to have been successful.

THE MARKETING CONCEPT OF THE MANNHEIM NATIONALTHEATER

The marketing mix of the Nationaltheater underwent a radical reorientation in time for the 1996/97 season. The significant increase in the prices for all seating categories was accompanied by a more subtly differentiated price structure. The existing structure was replaced by one that makes a distinction according to the type, day and time of the performance.

Moreover, the programme was augmented with preliminary events and post-performance discussions of selected plays, as well as with a so-called "theatre brunch" that has a varied agenda. In addition to matinees of chamber music and literature-and-music, these events also include family concerts and jazz brunches. Late-night events are a further innovation in the programme. These specials, which commence between 9 and 11 pm, are aimed primarily at young people and take account of their custom of not going out until relatively late at the weekend.

On top of this, advance ticket sales, which have a not inconsiderable influence on the buying effort - and thus also the cost - that ensues for the consumer as a result of a theatre visit, were completely reorganised. The usual procedure, whereby tickets must be purchased in person at the advance booking office, was supplemented with an alternative option otherwise only rarely offered in Germany, namely of ordering tickets by telephone and paying for them by credit card. This option simplifies ticket purchases for non-local theatre patrons in particular. The amount of effort demanded of the customer is also significantly reduced as a result of electronic links to the advance sales networks of commercial concert promoters as well as a facility for reserving tickets via the homepage that was set up on the Internet in February 1997 (<http://mannheim.nationaltheater.de>).

The changes described above were accompanied by an entirely new corporate design. Both the logo and all the theatre's other publications (these include the theatre magazine, the programme, programme posters, etc.) are adorned by a curved "X" - a link element that promotes recognition and the creation of a consistent image. In addition, the bright colours, photographs and modern layout on the one hand are aimed at younger audience categories and on the other hand serve to document the central idea of opening up the theatre through a more lively image. The Internet pages underline these two aspects by making information about the programme, the staff, special events, booking modalities, etc. permanently available, offering opportunities for interaction and attempting to accommodate the media habits of younger patrons. The cafe that has been opened in the box-office foyer - which prior to this season was only used for evening ticket sales - enables all interested parties to experience the theatre as a place of communication outside the actual performance hours and to overcome any prejudices they might otherwise have.

AIM, DESIGN AND METHOD OF THE STUDY

Against the background of the intense criticism from both the media and the general public, the study purported to examine how audiences at the Nationaltheater rate the marketing measures that have been introduced. Our interest was focused on the issue of whether patrons derive a greater utility from the theatre's present marketing concept or from that effective during the previous season.

On account of the large number of attributes that had to be taken into account, the method chosen for the empirical study was an adaptive conjoint analysis (ACA), which avoids many of the weakness of traditional methods, while at the same time retaining most of their advantages (Johnson 1987, p. 256; Carroll and Green 1995, p. 386). The attributes - including the new measures that must be appraised as part of the marketing controlling concept - and their levels were selected on the basis of exploratory discussions with theatre patrons and experts, and then confirmed by means of a pretest. Finally, the ten attributes shown in [Table 1](#), each of which has two or three possible levels, were adopted for the study.

Our survey was conducted in the foyer of the Mannheim Nationaltheater during the second and third weeks of March 1997. Patrons were informed in advance about the aims of the study, and about the interactive method to be used, by means of articles in the theatre magazine and in the local and regional press, as well as through a radio report. In order to increase the interviewees' willingness to respond, they were offered the opportunity to take part in a draw. The first prize - a trip to the opera donated by a travel company - and free theatre tickets provided a good incentive to participate. A questionnaire, which was designed for gathering both socio-demographic data and information about theatre-going habits and attitudes, rounded off the computer-aided survey of 186 respondents.

AN EXAMINATION OF THE ADEQUACY OF THE NEW MARKETING CONCEPT

An initial impression of the adequacy of the new marketing concept of the Mannheim Nationaltheater is conveyed by the relative importances specified for the individual attributes and by the averaged (normalised) part-worths (see [Table 1](#)) (see also Sawtooth Software Inc. 1994 for further information about normalising part-worths). The greatest relative importance, namely 23.08 %, is attached to artistic quality. This result is not particularly surprising, since it merely confirms that it is above all the standard of the performance which attracts an audience. The quality of the production is still a crucial factor when deciding whether or not to visit the theatre.

The fact that preliminary events and post-performance discussions for selected productions are ranked second (importance: 13.73 %) underlines the patrons' marked desire for information. The respondents reward the existence of such events with 79.73 utility points, as compared with just 8.68 if they are lacking. The supplementary events offered within the framework of the new marketing concept can thus be rated positively. In third place, with an importance weighting of 13.17 %, are exhibitions in the foyer about the theatre or the play. This new service likewise brings about a high utility from the consumers' point of view and they would like to see it retained.

The mode of advance ticket purchases contributes a relative importance of 12.89 % towards the utility that is derived from a visit to the theatre. The alternative whereby theatre tickets can only be purchased in person at the box office is extremely unattractive to patrons. The greatest utility is obtained through ordering tickets by telephone and paying for them by credit card. It is surprising to observe that the option of reserving tickets until shortly before the start of the performance, which is now common at many cinemas in Germany, ranks behind the credit-card method.

The price structure occupies fifth place with a relative importance of just 8.31 %. The respondents prefer the old, significantly lower prices to the present ones. In their eyes, the new structure represents a utility loss equivalent to 42.99 points. However, the relative importance attached to this attribute is not sufficiently great to justify the criticism expressed by both the press and the general public at the start of the current season.

The companionship, social and communication needs of patrons are satisfied by the theatre brunch and by the cafe in the box-office foyer, which are accorded importance weightings of 7.99 % and 7.65 % respectively. The brunch, which was offered for the first time during the 1996/97 season, led to a rise of more than 40 utility points among the respondents and can hence be

considered a successful marketing measure. The same applies to the cafe. The patrons did indicate, however, that it would be perfectly adequate for the latter to remain open solely for the duration of the performance, and that opening hours lasting all day would not bring any additional increase in utility. This discovery confirms the theatre's own experience at the beginning of the current season. Although the cafe remained open throughout the day on a trial basis, the lack of demand forced a switch to catering during performance hours only. This is reflected by the empirical findings of our study.

An importance value of 7.46 % is likewise achieved by the "style of production" attribute. Traditional productions bring about a greater utility for patrons, namely 76.75 points, though plays produced in a modern style are only marginally behind with a value of 38.14 points.

The design of the information material, such as the theatre magazine and the monthly programme, plays a relatively minor role with a weighting of just 4.79 %. Nevertheless, the corporate design introduced in the current season affords patrons a utility increase of as much as 24.81 points. The only attribute to which less importance is attached is the atmosphere in the theatre, whereby a preference was determined for the smart atmosphere of special occasions.

If we compare the utility that is derived from the marketing concept for the 1996/97 season with the values for the previous season (see [Table 2](#)), a significant increase can be observed. The new marketing concept has only resulted in a reduction in the utility for theatre patrons in the case of the "price structure" attribute. This deficit is however more than compensated for by the other modifications, so that, all in all, the measures that have been introduced can be deemed to be successful. If the calculated utility values are considered in relation to the value derived from the product held by the patrons to be the optimum one, the level of goal accomplishment rises from 35.54 % to 88.47 % - a satisfactory figure.

THE SUITABILITY OF CONJOINT ANALYSIS FOR MARKETING CONTROLLING

The results outlined here, and confirmed by the findings of our study, are remarkable for two revelations - firstly that the public discussion regarding the measures introduced by the theatre management evidently represented only an inadequate reflection of patrons' preferences and secondly that, from the point of view of audiences, the price structure is not as important as it was originally purported to be. Whereas the criticism referred solely to the price criterion and ignored other utility-bringing elements, the conjoint analysis permits an integral, realistic appraisal of the alternative marketing concepts.

The suitability of the conjoint analysis, which in the past has been employed primarily in connection with the design of new products and services, for the purposes of marketing controlling was convincingly demonstrated by our study. A new area of applications, to which marketing literature has previously paid no attention, has been opened up for this method as a result. Marketing concepts that are met with criticism, for example, can be evaluated with regard to the utility they bring subsequent to their implementation. An ex-post analysis also appears advantageous if the measures concerned are difficult to simulate and a realistic appraisal is not possible until after they have been implemented. This advantage can only be fully exploited, however, if the decisions involved are ones that can be revised relatively easily.

The choice of the conjoint measurement for monitoring the success of marketing measures does not conflict in any way with its use in the context of marketing planning. On the contrary, it can be considered a complementary method. According to the prospect theory, an ex-ante analysis and an ex-post analysis should yield divergent results. This supposition is based on the findings of behavioral science, which states that the part-worth that is brought about by a hypothetical, previously unavailable service element is less than that actually attributed to it by consumers after it has been implemented. Consequently, the values calculated at the marketing planning stage are not suitable for monitoring the success of the measures and should be supplemented with data determined by means of an ex-post analysis.

The extent to which the part-worths that are established for a service element before and after its implementation deviate from one another in practice must be examined within the framework of future research work. In the light of the prospect theory, it can be hypothesized that a shift takes place in the part-worths for those attributes whose levels have been modified, while the utility values of all other attributes should normally remain constant.

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Attribute	Levels	Part-worths
Price structure	• Old price structure • New price structure	68.88 25.89
Advance ticket purchase	• Advance purchase only possible at the theatre box office • Advance purchase either in person at the theatre box office or telephone booking and mailing with payment by credit card • Advance purchase either in person at the theatre box office or telephone reservation until shortly before the start of the performance and purchase at the box office	10.63 77.33 70.33
Design of information material	• Information material with restrained, conservative design • Information material with modern, young design	21.10 45.91
Exhibitions in foyer about theatre or play	• Exhibitions in foyer about theatre or play • No exhibitions in foyer about theatre or play	73.72 5.61
Preliminary events or post-performance discussions for selected plays	• Preliminary events or post-performance discussions for selected plays • No preliminary events or post-performance discussions for selected plays	79.73 8.68
Theatre brunch	• Theatre brunch on Sundays • No theatre brunch on Sundays	52.85 11.51
Cafe in box-office foyer	• Cafe in box-office foyer open all day • Cafe in box-office foyer only open during performances • No cafe in box-office foyer	50.24 54.45 14.89
Style of production	• Traditional production • Modern production	76.75 38.14
Artistic quality	• Regional standard of artistic quality • National standard of artistic quality	5.49 124.88
Theatre atmosphere	• Smart atmosphere, special occasion • Casual atmosphere, not a special occasion	43.88 39.12

Table 1: Attributes and their levels used in conjoint survey

1995/96 season		1996/97 season		Optimum configuration	
Measure	Part-worths	Measure	Part-worths	Measure	Part-worths
Old price structure	68.88	New price structure	25.89	Old price structure	68.88
Advance ticket sales at theatre box office only	10.63	Advance ticket sales in person or by telephone and credit card	77.33	Advance ticket sales in person or by telephone and credit card	77.33
Conservative design for information material	21.10	Modern design for information material	45.91	Modern design for information material	45.91
No exhibitions	5.61	Exhibitions in foyer	73.72	Exhibitions in foyer	73.72
No brunch	11.51	Brunch on Sundays	52.85	Brunch on Sundays	52.85
No cafe	14.89	Cafe open during performances	54.45	Cafe open during performances	54.45
Total	132.62	Total	330.15	Total	373.14

Table 2: The aggregated part-worths of the various concepts

GAP ANALYSIS AND SERVICES MARKETING: DOES UNDERSTANDING YOUR CUSTOMERS REALLY IMPROVE SALES?

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ABSTRACT

Most prior research in services marketing has been strongly influenced by the GAPs model of service quality, which emphasizes understanding customer expectations. While prior work in this area focused upon understanding customer expectations, few studies dealt with the linkage between service provider understanding of customer expectations and profitability. This study attempts to extend the previous research by examining the effects of understanding customer expectations on sales of dental service providers. It also investigates the demographic and marketing correlates of sales of dental services.

This study used gross revenue as the dependent variable. The independent variables included: 15 attributes of quality dental care, demographic variables (i.e., *gender*, *years in practice*, *type of offices*, *number of dentists at same facility*, *type of dentistry practiced*), marketing-related variables (i.e., *advertising expense*, *Yellow Page ad type*, *mailing-out newsletters*, *public presentation*), and financial variables (i.e., *credit card use*, *collection rates*).

The sample frame consisted of dentists in Jacksonville, Florida, (N=345). Of the 343 delivered questionnaires, fifty-six completed questionnaires were returned, giving a response rate of 16.3 percent.

Spearman's test showed that dentists rankings of importance about 15 attributes of quality for dental consumers agreed with patients rankings from prior research. The analysis of covariance (ANCOVA) indicated a significant difference in mean gross revenues between the two dentist groups separated by the sum of top five attribute rankings above and below the median, while *number of dentists at same facility* and *type of dentistry practiced* were used as covariates. The dentist group with the rankings of attributes more similar to patients' rankings from prior research had mean annual sales significantly higher than the other dentist group.

In examining the demographic correlates of revenues, it was found that *gender* had a significant effect on sales. Male dentists generated more sales than female dentists. Of the seven regression analyses performed to investigate correlates of marketing activities, it was found that *Yellow Page ad type* and *Advertising expense* were significantly associated with *gender*. Female dentists were more likely to use display ads and spend more on promotional advertising than male dentists. In answering a set of open-ended questions regarding their marketing emphases, most dentists reported that the largest proportion of patients were generated from word-of-mouth referrals of existing patients.

This study has provided evidence that a better understanding of patients' expectations has a positive effect on revenues of dental service providers. It also suggests the importance of influences that motivate consumers to recommend a service. Further research is needed to learn more about the relationship between the behavior of service providers, customers' evaluations of service providers, and personal referrals.

A LOOK AT INTERACTIVITY FROM A CONSUMER PERSPECTIVE

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INTRODUCTION

U.S. homes are adopting computer mediated technology at a very high rate. Approximately 40 percent of U.S. homes own a computer, 21 percent own a modem and 37 million individuals use the World Wide Web (Find/SVP, 1997; SRDS, 1996). Conservative growth projections indicate that 50 percent of U.S. homes will own a computer by the year 2,000, and 22 to 31 million will have Internet access (Toner & Gipson, 1997; Krugman, 1995). The growth of technology has fostered the potential for direct marketers to "interact" with consumers via in-home technologies, and the field of direct marketing is becoming increasingly dependent on in-home technologies to reach consumers. Advocates of this type of marketing laud the ability of the computer to facilitate a more "interactive" relationship between marketers and consumers. However, despite the amount of attention that has been paid to interactive marketing, how consumers define the term "interactivity" has been investigated only on a limited basis. No studies have examined the implications that consumer perceptions of interactivity have on direct marketers. The purpose of this article is to illuminate how consumers perceive and interpret the concept of interactivity with respect to computer mediated technology.

What is "Interactivity?"

Although one of the most important characteristics of many in-home communication technologies is their ability to foster immediate exchange – often termed "interactivity" – researchers have grappled with what interactivity really means. Heeter (1989) observed that interactivity is often cited as a determining characteristic of new technologies, yet is rarely defined. Fawcett (1994) noted that the interactive media category encompasses a hodgepodge of high- and low-tech marketing techniques, without any consensus on definition. If researchers have been slow to define interactivity from a technological standpoint, it is small wonder that they have failed to examine what consumers think of it. Despite the fact that scholars have emphasized the importance of understanding users' perspectives when examining newer media technologies (Williams, Strover and Grant, 1994; Childers and Krugman, 1987), no research exists that directly documents how consumers of media technologies define interactivity. The term "interactivity" has become an accepted term in today's marketing culture yet we don't quite know the meaning that consumers ascribe to it. To comprehend the influence of media technologies in the lives of consumers, it is important to investigate how consumers understand key terms associated with the technologies. Such understanding has relevance for the field of marketing: consumers stimulate demand for products and their understanding of product characteristics sheds important insight into consumer behavior.

This study is part of a larger project which examined the social role of media technologies in the home. The study reported here examines the meaning that consumers ascribe to the concept of "interactivity." It also examines whether perceptions of interactivity are related to the different levels of technology in the home. Two research questions were examined: (1) How do consumers define interactivity with respect to new in-home media technologies?; and, (2) Do consumers who own different types or levels of new media technologies have different perspectives regarding the concept of interactivity? If so, how do they differ?

METHOD

The study was conducted in two phases, each employing a different research method. Phase I used focus groups with adult representatives of families that owned advanced media technologies. Phase II utilized long interviews with families who owned advanced media technologies. A total of 105 persons participated in the study. "Advanced media technologies," were defined as in-home mass and computer mediated products/services that are technologically improved over their predecessors or stimulate new consumption patterns. Degree of advancement was deliberately varied based on a typology proposed by Robertson (1971) and recently applied to more modern communication technologies (Krugman, 1989). The typology categorizes technologies into three groups based on the how they influence users' behavior. Technological advancements that require little or moderate changes in behavior are continuous or dynamically continuous. Technological advancements that give rise to different or new patterns of behavior are discontinuous. Based on previous studies of new media technologies (Baer, 1985; Krugman, 1989; Lin, 1994; Reagan, 1987), and using Robertson's typology, comparisons were drawn between adults and those families owning low to moderate

(continuous/dynamically continuous) level media technologies and those owning high level media technologies (discontinuous). It should be noted here that low to moderate technologies tend to be related to the television while high or advanced technologies tend to be associated with the computer. [Table 1](#) identifies the technologies comprising each of the two groups.

Participants for both phases of the study were selected based on the number and kind of advanced media technologies owned and used at home. Participants were chosen purposively, a sampling procedure heavily relied upon and encouraged in qualitative inquiries (Patton, 1980). In order to be placed in the low/moderate level group, respondents had to own at least three of the technologies found in that category ([Table 1](#)). Similarly, participants representing the high level group had to own at least three of the higher level technologies.

PHASE 1: FOCUS GROUPS

Four focus groups were conducted with adult representatives of the two types of families (low/moderate and high level). Participants were from homes similar in composition to typical U.S. households ([Statistical Abstracts of the United States, 1995](#)). A total of 39 participants took part in the focus groups; groups ranged from nine to ten participants. Participants were compensated \$20. The focus groups were audio taped and transcribed. Transcripts were reviewed several times to become familiar with and sensitive to their content. While reviewing transcripts, themes uncovered in the data were noted. Similarities and differences between owners of low/moderate and high level media technologies in terms of how they viewed the term "interactivity" were also examined.

Four major findings emerged from the group interviews. First, participants from all groups indicated that interactivity implies a user has some control over sending and receiving information. This suggests two components of how consumers define interactivity: 1) it is associated with some degree of activity on the users' part; and, 2) it offers consumers more control in terms of what they send and receive. This finding also offers insight to what interactivity is not. Things that are not interactive are one sided and illustrative of traditional sender/receiver communication roles in that consumers do little to alter the message on the receiving end.

Second, findings varied with respect to the level of familiarity with new technologies. Interactivity was seen as having a positive or negative social influence depending on the level of technologies owned. High level participants viewed interactivity as a generally positive thing. For example, several related how interactive technologies helped them organize time better because they could do things from home and had more time to spend with their families. In contrast, low/moderate level participants spoke more negatively about interactivity. Low/moderate participants described interactive media as something to be used in moderation as "all things used in excess are bad." Concerns that interactivity could lead to people "never leaving their homes," or "not wanting to talk to real people" were also raised. This implies there is a degree of mystery, or fear, associated with the concept of interactivity. Lack of knowledge about the capabilities and uses of interactive technologies led non-users to ascribe the technologies with the power to move people from being social animals to being private or isolated.

Third, high level participants were more "sophisticated" in their answers. Sophistication here refers to awareness of the limitations of advanced media technologies and knowledge about what interactive enhancements actually add to existing technologies. Whereas low/moderate level participants would speculate on interactive media meaning things like "virtual reality" or "becoming your own television programmer," high level participants were more realistic and pragmatic. According to them, current interactive media were merely "added dimensions" of media already in existence. High level participants also noted that technologies such as the computer were not truly interactive since the technology is limited by what it is programmed to do. Exceptions were computer mediated forms of communication such as e-mail or chat rooms; since neither sender or receiver had control over the other's response, these technologies were perceived to be truly interactive.

Finally, when asked "What is interactivity?", participant comments indicated that some media technologies are equated with the term more often than others. Further, these comments differed between the two types of technological groups. High level participants were more likely to mention computers and use computer related examples when defining the concept of interactivity. However, low/moderate level participants equated interactivity with both the computer and the television.

PHASE 2: FAMILY INTERVIEWS

The overall findings from the focus groups were further explored during in-home family interviews. Additionally, because the computer had been mentioned so often during discussions of interactivity in high level groups, but less often in the low/moderate level groups, the following question was added: "What media technologies do you associate with the term "interactivity?"

Interviews were conducted with twenty families: ten low/moderate and ten high level. A total of 66 people participated in the family interviews (50% low/moderate and 50% high). Slightly over half were adults (54%). Additional demographic characteristics of participants are available from the author. Household members were interviewed collectively as a unit. Interviews were audio-taped and transcribed, and families received \$35 compensation. A summary of the interview was sent to adults in the families that participated. The summary served as a member check, which is one of the ways a researcher employing a qualitative method can make sure the researcher's interpretations of a subject area parallel that of the participants in the study. Included with the summary was a note which asked the adult to review the summary and contact the researcher to correct any misconceptions as to what had occurred in the interview. Overall, there were no major contradictions or changes based on the replies received from the families.

Three themes were common to all participants when asked the question, "What is interactivity?" In an attempt to explain themes developed during analysis and better understand how consumers define interactivity, included below are direct quotations from participants.

Theme one: exchange/feedback. Unanimously, participants regarded interactivity as involving an exchange of information. Sara's (an adult in a low/moderate level household) response to the question was typical:

It's some way you are responding or reacting in response to some sort of stimulus by saying you have to do this or you need to do this. Or maybe you ought to do this or you should feel this. Two things acting together.

Theme two: activity. Interactive media require more "activity" on the part of the user. Participants from nearly every family expressed some variation on the idea that interactivity demands active input from a user. Interestingly, television was often used as a contrasting example of what interactivity was not. For example, participants from both groups pointed out that interactive media were different from TV which didn't require viewers to do anything more than sit and watch.

Theme three: sensory input. Several participants from both groups mentioned that interactive media require more sensory input than technologies such as the television. In addition to sight, sound and touch, interactivity, when manifest in the computer, also involves "instinct." John, a computer game player in a low/moderate level household, identified computer games as the most interactive media he could think of. When asked whether computer games are the most "advanced" technology, he replied:

Yes, I would say so. By far, by far. Because you can actually -- with the computer games -- you can actually use your instincts. And that involves a whole lot more than typing in and editing.

Despite the pervasiveness of these three themes, several differences distinguished the two groups. Participants from high level families were more sophisticated in their view of interactivity. While both groups agreed that interactivity requires more of the receiver/sender, and is more involving, members of high level families elaborated on this theme by giving examples which defined the parameters of interactivity. An observation by John, age 15, was typical:

Like, if, you are on-line with like a chat group or something that's really interactive because you've got everybody and they can actually interact. If you're just playing the computer, it is just you acting. So it's not really many interactions, it's just you telling the computer what you want it to do. And it will act like it is interactive. It will act like you can move around stuff but you really don't have full control. It's just like you push a few buttons to find what you want. Because nothing is really fully interactive except reality, like where you are. Because you can interact with anything here, but you get on the computer and you can't do whatever you want.

Participants from high level families also tended to place interactivity along a continuum, with endpoints of television (passivity) and computer (activity). This viewpoint was typified by Bob, when speaking about the computational ability of the computer:

... I think that the computer is set up to function like the mind functions, in that it receives information and processes information and then gives it back. It's more interactive. Whereas as a TV gives -- is more programmed -- to, like, like record information that people receive. But it's not ... I wouldn't call it the same as processing information.

High level participants were also more "realistic" about the concept of interactivity and quick to point out that nothing is truly interactive. For example, Jack, 15, noted:

I think it is just a big dream right now, because I don't think we have any interactive media, really. I mean the computers we have, we haven't realized full potential yet. You can get information, but most people don't use it for that. Most people use it for entertainment. Interactive media, like all these games now, they tout themselves as interactive movies and stuff like that. But really all it is pick and choose and stuff like that. So really we don't have interactive media, they just try to label it like that.

Another difference in the groups was that low/moderate level participants tended to use television related examples to explain their views on interactive media. This contrasted with high level participants who almost unanimously used computer examples. Jan, a low/moderate level participant, explained interactivity as follows:

... At home, I would think it would be, you know like the Miss America pageant, punch your vote in now ... the fact that you're interacting at that particular time that you're watching it as well.

... In some respects, home shopping, you know, when you call in, and you talk to the person. That would be an example, I would think, of interactive video.

In contrast, participants from high level households, were more likely to incorporate the computer in their examples. An observation made by Elaine, age 32, illustrates this difference:

You are doing something and then it is doing something back in response to what you are doing. There's a give and take. And I think of that in terms of the computer, not in terms of a CD [audio player]. I don't think putting a tape in the VCR and using it is very interactive.

DISCUSSION AND IMPLICATIONS

The concept of interactivity has different meanings for consumers, and the degree of technological advancement that consumers are familiar with influences the meaning they ascribe to the concept. Though participants from both focus groups and family interviews identified interactivity as associated with an active audience, participants varied in terms of their degree of sophistication about the term, technological reference points that they used to understand the term, and the degree of "mystery" surrounding the term, based on the technological group they were associated with.

Familiarity breeds acceptance, especially with regard to communication technologies. High level participants associated "interactivity" with computer technologies. High level families were also computer owners, and, more importantly, owned computers linked to things like on-line systems and CD-ROM players. Low/moderate level participants were likely to use television related examples to explain interactivity. While some low/moderate level participants owned computers, they were stand alone units (not linked to a network or on-line system) used for game playing, data analysis or word processing. The difference in technologies that the two groups associated with the concept of interactivity illustrates the importance of understanding the frame of reference people have for dealing with new technologies. Further, it implies that it is not so much the computer that is interactive, but rather its associated technologies.

These findings have implications for both direct marketers and for marketers of interactive technologies. First, they indicate the importance of considering a target market's level of computer use when marketing products via the Internet. Sophisticated users equate interactivity with multiple-option environments. They are less "blue sky" oriented and expect to encounter advanced interactive environments. For direct marketers, this could translate into the complex web sites with many screens, links, and other options. Conversely, marketers risk losing less experienced users if Web sites are too complex. Findings also suggest that a campaign targeted toward markets that are less technologically adept might not require an Internet presence at all. Instead, using television or its related technologies (advertisements on VCR rentals or video games), to deliver selling messages may be enough. Regardless, caution should be exercised before jumping on the Internet bandwagon.

While traditional media may still provide the best route to certain target markets, recent research suggests that a media mix of high level technologies (such as the Internet) and more traditional media (such as television) may be appropriate for reaching highly advanced media technology users. While predictions of a decline in television viewing as a result of the increased popularity of the computer abound, Coffey and Stipp (1997) reported that only a small portion of PC use competes with television viewing. Instead, computer users continue to embrace television. This suggests that direct marketers would be well advised to consider the interactions between television and computer in designing a marketing campaign. Coffey and Stipp suggest that television be used to lead viewers to a specific Web site by cross promoting the site. Thus, television commercials that promote a marketer's Web site can enhance reach of a target market, provided it is relatively broad.

These findings also have implications for marketers of computer technologies. Marketing approaches that de-mystify the concept of interactivity are needed to influence non-users of the technologies to become users. More sophisticated approaches are called for when encouraging consumers to adopt more interactive technologies or to "trade up" on the current ones they own. Further, advertising campaigns aimed at current users should not promise more than the technologies can deliver, thus avoiding "blue sky" rhetoric. Consumers of today's interactive media are well aware of the limitations of the technologies: there is no virtual reality. Additionally, because of the tendency for non-users to associate computers with an isolated social sphere, marketing campaigns should position computer related interactive technologies as something to be shared in a social surrounding. Creative executions for these campaigns might focus on family use of the technology or using interactive technologies to keep in touch with family and friends. A "pro-social" perspective may positively influence non-users to begin using computer related interactive technologies.

This study points to the importance of understanding the meaning that consumers ascribe to interactivity. Interactivity is a fluid concept, one that is influenced by the technologies with which the consumer is familiar. Users and non-users of computer technologies see the concept of interactivity differently. Findings suggest that much thought should go into using the term interactivity. In between users and non-users are differing perceptions that marketers must be aware of in order to understand today's complex media environment.

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Table 1: Media Technologies Used for the Study

<u>Low/Moderate Media Technologies</u>	<u>High Level Media Technologies.</u>
Large screen television	Video games connected to the television
Stereo television	Personal Computer (PC)
Cable	Games accessed through a computer
Premium/pay cable	On-line computer systems
Direct broadcast satellite (DBS)	CD-ROM player
VCRs	
Videodisc or Laserdisc players	

TRAVEL AND TOURISM PURCHASE-CONSUMPTION SYSTEMS

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SUMMARY

A purchase consumption system (PCS) is the sequence of mental and observable steps a consumer undertakes to buy and use several products for which some of the products purchased leads to a purchase sequence involving other products. Our central proposition (P1) is that several decisions within a customer's PCS are dependent on prior purchases of products that trigger these later purchases. A framework of purchase-consumption as it is applied to leisure travel is illustrated in [Figure 1](#).

A second, travel-specific, proposition (P2) is that some of the important product purchases made subsequent to the destination choice are not pre-planned before the start of the trip; these purchases often include destination-area restaurant decisions, gift purchases, and activity purchases. P3 states that two types of choice decisions may occur within a leisure-travel PCS: (1) thinking and deciding on whether to buy/reject a product in working memory (i.e., current principal attention) is being directed to the product and information about the product, without thinking about competing alternative to this product; and (2) thinking and deciding about two or more products or brands competing for the time and expenditures of the traveler.

These and additional propositions are examined using qualitative, long exit interviews of visitors to two island tourism destinations: Prince Edward Island and the Big Island of Hawaii. Example decision maps of two travel groups interviewed are found in Exhibits 1 and 2. The findings include strong support for the PCS framework and the specific set of propositions.

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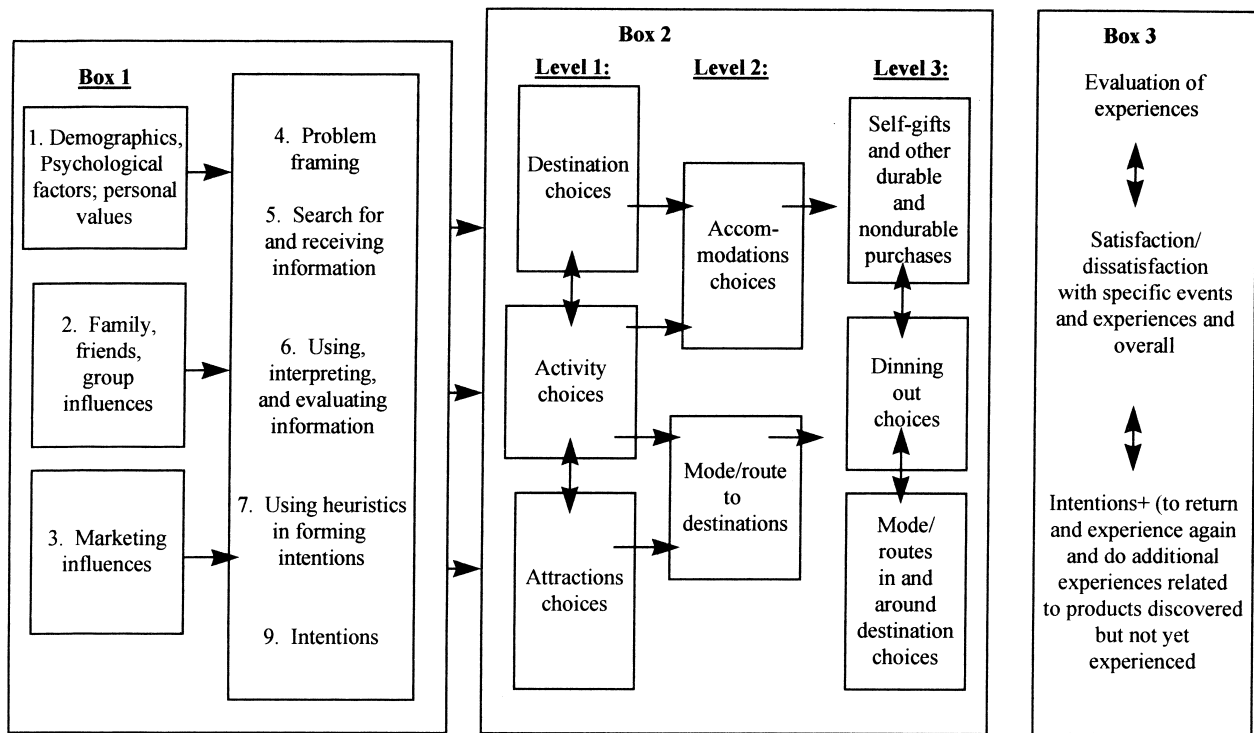


FIGURE 1
FRAMEWORK OF PURCHASE-CONSUMPTION SYSTEM
APPLIED TO LEISURE TRAVEL BEHAVIOR

Note. In Box 2 the three levels are displayed to indicate the sequence proposition that level 1 decisions occur usually before and trigger level 2 decisions, and level 2 decisions usually occur before and trigger level 3 decisions.

Exhibit 1

A Map of a Travel Party's Decisions Family Segment: Medium-distance, Foreign, Relaxing Family Holiday, First Time on PEI

Decision Area	Destination Choices	Route/Mode to PEI and within PEI	Accommodations on PEI	Activities in PEI	PEI regions visited	Attractions visited incl. restaurants	Gifts & Purchases leaving PEI with.
Choice Sets	New Hampshire destination one; PEI and NS secondary destinations. PEI a must.	Ferry to NS. Drive direct. Use W' Islands as closer to NS. Own car.	Hotel Ch'Town. No other choices.	All activities involving Anne of Green Gables. Preplanned.	Cavendish and Ch'Town. Cavendish was the focal point of visit.	Anne of G.G. house and play. Hotel dining. St. Ann's lobster supper.	Anne doll, sweat shirts, t-shirts, souvenirs.
Motives (Decision Set)	Anne of G.G. Family vacation. Relax and see nature. Dream to see land of Anne.	Shortest, most direct route by car to PEI. Touring-Cavendish. Sleep on NS-US ferry.	Close to the capital. Had package of dining and pool.	Purpose of trip. Wife's life-long dream to visit Anne's land.	Anne of Green Gables sites. Time limit.	Family fun. Anne theme. Convenience. Time limit.	Planned to buy these. Anne theme. Cavendish Boardwalk and Stanley Br. stores seen as toured.
Info Seek and Use: Decision Set	Fundy Cruise Line in Maine; VIG on PEI. Little planning, done en route.	Used VIG and maps from AAA.	Fundy Cruise in Maine helped with info. on hotels and reserved hotel.	VIG for locations and other attractions to visit for Anne theme.	VIG used extensively.	Read in VIG and recommended on ferry. Convenience.	Drove around sight-seeing and visited craft stores.
Outcomes	Better than expected. "Expected Eskimo". "PEI lush". Friendly people. Visit "once in a life".	As expected. Waiting for boats worse than expected. No idea of waits. Dad made route choices. .	As expected. Both made this choice. No changes suggested.	Better than expected. Knowledgeable staff at Anne of G.G. and seems "authentic"	As expected or better. "Beautiful" "People great"	Expected. Lobster supper and GG guides "great".	Wife and children pleased with purchases. Good deal on doll (\$225) in Stanley Bridge. "Quality of goods" was a clincher.

1. **Figure 1** outlines the basis for this mapping of travelers' choice behaviors.

2. Summary of Travel Party: Husband, wife, and 2 children under age 12; from Connecticut, USA; annual income \$100,000 to \$150,000 (US); total expenditures on PEI \$1,000; "Anne" fans; two nights on PEI.

Exhibit 2
A Map of a Young Newlywed Couple from Pueblo, Colorado,
on Their First Trip to the Big Island of Hawaii

Decision Area	Destination Choices	Route/Mode to Big Island and within Big Island	Accommodations on Big Island	Activities on Big Island	Big Island regions visited	Attractions visited including restaurant	Gifts & Purchases leaving Big Island with
Choice Sets	State of Hawaii; Big Island; Island of Oahu; Island of Kauai	Aloha; Hawaiian Airlines; Oahu Airport	Waikola Hupuna Prince	Volcano; snorkeling; driving-touring	West coast (Kona); Kohala coast	Historic; unique locations; island foods; fine dining	Small souvenirs; Kona coffee; Mac nuts
Motives (Decision Set)	Honeymoon touring	Scenery	Beautiful white beach	Always want to visit Big Island	Dream—can only see it on Big Island	Unique to Hawaii; wanted adventure	Unique to islands for memorabilia
Info Seek and Use: Decision Set	Big Island visitors' guide book; <i>This Week</i> guide book	<i>This Week</i> and <i>Guide to Big Island</i>	Brochures and internet; looked at pictures	Big Island visitors guide book; <i>This Week</i> guide to the Big Island	Big Island visitors guide book and <i>This Week</i>	<i>This Week</i> ; guide to the Big Island	<i>This Week</i> and guide to Big Island
Outcomes	Good quality; good contents; very helpful; very satisfied	Yes. "Mishaps were good ones."	"Great quality. Clean. Beautiful."	Very high enjoyment level.	High satisfaction and pleasure	Great food and service.	Great gifts.

AFRICAN-AMERICAN CONSUMER ATTITUDES TOWARD DOMESTIC AND FOREIGN-MADE PRODUCTS.

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ABSTRACT

The thirty two-million African-Americans in the United States make up approximately 12 percent of the population with a \$400 billion buying power (Hudson, 1996). They purchase nearly 12 percent of all new cars, especially imports (Berry, 1991), consumer electronics (TVs, VCRs, and stereo systems) and fashion accessories (clothing, shoes, purses, and handbags).

Saeed (1994) defines the country-of-origin (C of O) of a product as the country with which a firm that produces the product is associated. Typically, this is the company's home country. C of O is one of the information cues that consumers use in product evaluation. Marketers usually communicate C of O to consumers within product labels using such phrases as "made in", "the pride of", "product of", "proudly crafted in", etc. Researchers have described C of O variously as "a proxy for missing information", "an extrinsic product cue . . . similar to price, brand name, or warranty" etc. Studies have found that demographic variables such as race, income, gender, age and product-related variables like "experience with the product" and "level of involvement in the purchase of the product" may moderate the influence of C of O in the evaluation of products by consumers. Therefore, the objectives of the present study are to: (1) determine how African-American consumers rate U.S.-made and Japanese-made products and (2) examine the effects of other demographic and product-related variables on African-American consumers' evaluation of those products.

A fourteen-statement Likert-type scale utilized by Jaffe and Martinez (1995) in a similar study of Mexican consumers was used in collecting data from 109 middle class African-Americans, about two products (automobiles and electronic products). Seven statements pertained to ratings of the product characteristics by country-of-origin. The other seven referred to the sort of person who would purchase the product made in the U.S. and Japan. Respondents checked whether they (1) strongly agreed; (2) agreed; (3) neither agreed nor disagreed; (4) disagreed; or (5) strongly disagreed with each of the statements. The questionnaire also included demographic and socioeconomic questions on gender, age, income, education, country of origin of most of the automobile and electronic products owned, degree of knowledge and level of involvement in the purchase of these products and number of automobiles and electronic products owned.

Fifty eight percent of the sample owned U.S.-made automobiles and forty two percent owned Japanese-made automobiles. On the other hand, forty two percent of the sample owned mostly U.S.-made electronic products while fifty eight percent owned mostly Japanese-made brands. Paired sample T-Tests revealed that the respondents rated the Japanese products significantly higher than their American counterparts. MANOVA tests also revealed that owners of each product category rated them significantly higher than nonowners. MANOVA tests were also used to investigate the influence of purchase involvement and product knowledge. Significant purchase involvement main effects were found for U.S. automobiles, Japanese automobiles, U.S. electronic products but not for Japanese automobiles. However, significant product knowledge main effect was found for only U.S. automobiles but not for the other products. Thirty one percent of the sample was male and sixty nine percent was female. MANOVA tests were again used to investigate the influence of demographic variables. The results for demographic variables were mixed. Gender produced a significant main effect for all products except Japanese automobiles. Age and income, on the other hand, each produced significant main effects for all products. Education, however, produced significant main effect only for Japanese automobiles.

Japanese products were perceived to be better than U.S products on almost all dimensions. However, African-Americans perceived people who buy Japanese products as unconcerned with the U.S. economy. American manufacturers need to work on reversing this image using, especially, the patriotic appeal of the American economy. The effect of product ownership seems to demonstrate the "halo" effect for African-American consumers. Respondents who owned more than two automobiles from either country seem to have very favorable attitude toward their country-of-origin. Age, income, and number of electronic products owned produced significant main effects for the products investigated. However, gender, education, and number of automobile products owned produced significant main effects for some products but not others. Specifically, U.S. marketers may use gender, age, and income as general segmentation variables for the African-American market for U.S. automobile and electronic products.

ADVERTISER RISK-ORIENTATION AND ATTITUDES TOWARDS CAMPAIGN PLANNING IN THE US AND CANADA

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ABSTRACT

This article examines advertiser risk-orientation and manager's attitudes towards campaign planning. Advertiser risk-orientation is viewed in the context of the propensity of advertising managers to engage in risk-taking. Findings are based on a survey of top advertisers in the U.S. and Canada.

INTRODUCTION

Taking risk is a common experience in marketing, be it with new products, target markets or pricing. The focus of this article is on advertising risk as a sub-set of general marketing risk. As noted by Belch and Belch (1996): "The issue of how much latitude creative people should be given and how much risk the client should be willing to take is ongoing and open to considerable debate." Using survey data from top US and Canadian advertisers this paper examines the nature of advertising risk-orientation and its relationship to manager's attitudes, opinions and practices in advertising. The evidence indicates that advertising risk-orientation is strongly linked to creative and media strategies as well as other areas of the campaign planning process including the role of advertising and targeting.

ADVERTISER RISK-ORIENTATION

Advertiser risk-orientation is the degree to which an advertiser engages in activities that involve risk-taking decisions with advertising. Such advertising risk can relate to a number of specific decisions, but is principally linked to creativity and media choice. The basis of risk theory is based on 'prospect theory' theory (Kahneman and Tversky, 1979). Prospect states that most people are risk seeking when they are below their targeted aspiration levels. Fiegenbaum and Thomas (1988) first applied the value function from prospect theory to business situations. They found that when a target return on equity (ROE) is introduced, either at the firm or industry level, risk and returns are negatively correlated for below-target firms and positively correlated for above-target firms. Low performing companies will take more risks, i.e. be risk seeking, if they fall below target and be risk-averse if they achieve their targets (Lant and Montgomery, 1987). However, the concepts of risk-aversion and risk seeking are only meaningful in relation to returns. A company may be labeled risk-averse after achieving its target, but this is not to suggest that they will not take a risk, but the potential returns have to be relatively large for them to be persuaded to do so. The central question posed in this paper is to what extent an advertising risk orientation is linked to the attitudes, opinions and practices of campaign planning. Three key areas are investigated covering (1) the role and objectives of advertising; (2) creative and media choices; and, (3) advertising research. Collectively these areas form the basis for campaign planning.

Role and Objectives of Advertising

The roles and objectives of advertising are linked to the "risk-taking culture" of the organization (West and Berthon, 1997). With reference to advertising culture the specifics investigated in the paper are the primary functions of advertising, the link between advertising and sales and the view of advertising as a cost or an investment. It is to be anticipated that high risk-taking advertisers will be more focused on sales than low risk-takers given the evidence that risk-taking companies tend to be companies who have performed below their targeted expectations and are generally taking risks to get back on track, as noted above. Similarly, high risk-taking advertisers are also more likely to be focused on the short-run than the long run so that they can meet their immediate goals. However, sales objectives and short-run horizons are so generic in the advertising business that low risk-takers are likely to be indistinguishable from high risk—at best it may be a difference of degrees at the same end of the spectrum.

One finding that would certainly be expected relates to the well-known debate over whether advertising is a cost or an investment. On the one hand it might be argued that high-risk takers would likely regard advertising as an investment rather than a cost as they will be taking the risk in order to deliver a specific result. On the other, low risk-takers may equally view advertising as an investment; it may simply be that they do not want to take any risks.

Creative and Media Choices

Creative strategy involves the decision on what and how to communicate and is a key element in how advertising works. "Creative risk" is the degree of uncertainty as to the results of the words, images or symbols used in an advertisement, and is a sub-set of an advertising risk orientation. It does not exclude shock advertising strategies like those used by Benetton—but creative strategy risk is much more matter-of-fact and business like than such extremes. It simply refers to the uncertainty of the outcome of the creative strategy. As noted above, no amount of pre-testing can eliminate the element of risk in creative strategy. Many advertisers (perhaps the majority) do not undertake any pre or post-testing of their advertising, as they do not have the resources to do so. For such organizations creative strategy decisions are always risky in the sense of uncertainty of outcome. Of course, the creative work is then placed in media. 'Media strategy risk' is the degree of uncertainty as to the results of the chosen media vehicles, timings and spaces used in an advertisement, and like creative strategy risk, is a sub-set of an advertising risk orientation. Numerous factors can affect the visibility in any medium such as adjoining editorial, rival advertising and clutter. Audience size may be affected by external factors such as the weather and events or in the case of television, by what rival networks have scheduled. Most advertisers schedule their advertising just before the audience is planning to make a purchase. However, given the multiplicity of people in any target market, pinpoint timing is impossible. Should the media budget be concentrated into short periods or spread out or in some combination of both? Despite the plethora of audience data, the inherent risks in timing media schedules remain. Finally, there are risks in media strategy relating to space sizes. Few, if any companies, have the budgets to take high impact space sizes (e.g. 60 second TV commercials) throughout the campaign period, if at all. Most have to compromise on some high impact spaces followed by some reminders using smaller spaces.

Advertising Research

Advertising research consists of a mixture and pre- and post-testing. Through pre-testing, the process of showing an advertisement(s) to a sample of a representative potential audience and gauging their response before running a full campaign, it is possible to reduce risk. Pre-testing can test a strategy and its comprehension as well as test an execution and its comprehension. There are a variety of verbal/written responses available in pre-testing, as well as some behavioral options such as showing advertisements to an audience and then gauging their impact by the choices made with token money or gift choices afterwards. Nevertheless, pre-testing can never be 100% reliable. Problems in pre-testing include the potential bias of poorly conceived and executed procedures, failure to agree or specify what should be tested, unintentional mistakes in the interpretation of results or deliberate bias through political maneuverings on behalf of clients and/or agencies. As well there are the difficulties of replicating responses in the 'real world.' Furthermore, it is well known that pre-testing tends to favor established creative approaches that consumers are familiar with. New ideas generally take time to be accepted and often score badly in pre-testing. Moreover, relatively few companies have the resources or time to do pre-testing that well if at all. Post-testing is the process of gauging the response to an advertisement(s) either during and/or after running the campaign. Advertisers may test media exposure, attention factors, communication achieved (medium, advertisement content/theme, specific "copy points," product/brand/service) or attitudes (product, firm/institution, aspects of advertising or buying the brand). In terms of risk it seems likely that a risk-seeking advertiser will use research for insight and development rather than as a check on understanding or comprehension. This would push the risk-seeking advertiser in the direction of the qualitative research as opposed to the quantitative. Advertisers' that put into place rigid research systems and that use quantitative research practices like theatre on items such as likability may be linked to a culture where risk-taking is discouraged.

Propositions

P1: Risk-seeking advertisers will differ from risk-averse in their attitudes towards the role and objectives of advertising.

P2: Risk-seeking advertisers will differ from risk-averse in their attitudes towards creative and media choices.

P3: Risk-seeking advertisers will differ from risk-averse in their attitudes towards research.

RESEARCH DESIGN

The data were obtained from a four-page questionnaire mailed to 400 senior marketing directors and CEOs in the U.S. and Canada in 1995. The instrument included items measuring attitudes regarding campaign planning and classification information. Most responses were measured on 7-point scales. For the United States the top 200 advertisers were selected from *Advertising Age's* 1995 listing of the top advertisers and cross-referenced with the *Standard Directory of Advertising Agencies*. As Canada's *Marketing* publishes only the names of the top 100 advertisers, these top 100 were selected and cross-referenced along with a random selection of a further 100 advertisers from *The National List of Advertisers* that had budgets over C\$1,000,000. 75 questionnaires were returned from the mailing to 400. Some 33 were 'returned to sender' owing to changed personnel and/or addresses, and 10 returned as it was not company policy to fill-out questionnaires, which provided an effective 21% response rate. Potential non-response bias was checked in two ways. First, a t-test comparison of the initial 25% of respondents with the final 25% of respondents revealed no differences ($p > .10$) between these groups on any of the research variables. If late responders do not differ from early, non-response bias is unlikely to be a problem (Armstrong and Overton, 1977). Following Baalbaki and Malhotra, (1995), a series of t-tests were performed to assess the extent of non-response bias with respect to number of employees, sales volume, and year established. No significant differences ($p > .10$) were detected between firms that responded and those that did not. Risk adversity or seeking was measured by four items. The question asked "where would you place your company when it comes to advertising?" against 7-point scales: (1) non risk-taking culture *versus* high risk-taking culture; (2) not creative *versus* highly creative; (3) non-risk media choice *versus* risk-taking media choice; and finally, (4) tend to follow competitors *versus* tend to lead competitors. The results were averaged by equal weightings and respondents separated into low or high advertising risk-takers by the mid-point.

DATA ANALYSIS AND RESULTS

The overwhelming majority of respondents were sales and/or marketing directors/presidents (43%), VP advertising/advertising manager/director marketing communications (35%) and president general manager/senior VP (8%) with the remainder VP sales promotions, VP Consumer sales, sales manager, VP/PR manager, and one franchise director. **Table 1** shows the results of the examination of attitudes by role and objectives of advertising. It can be seen in the Table that the primary functions of advertising in both low and high-risk orientated companies are extremely similar. The top functions are to increase sales and awareness followed by increasing loyalty and modifying attitudes. Advertising risk orientation was not found to affect the primary function of advertising for a company. As well, despite the attention enormous amount of attention received by database marketing, advertising to support a database was found low priority for most advertisers. Within this low score there was a significant difference between low (1.9) and high (2.5) advertising risk orientated companies, but neither group gave supporting a database much emphasis. The overall view of the link between advertising and sales was that it had most impact in the long rather than short-run (relative periods defined by respondents) and there was little difference between either low or high-risk orientated companies in this respect either. One significant difference that did emerge was whether advertising was a cost or an investment. When asked their agreement that "expenditure on advertising is a cost rather than an investment," low risk orientated advertisers viewed advertising much more as a cost (3.7) than high (2.7) to a statistically significant degree (at $p < .05$). This is a significant result in more than just the statistical sense because viewing advertising as a cost versus or an investment is an important divide. Advertisers that regard advertising as a cost rather than an investment are likely to minimize their allocation of resources to advertising as 'costs' are generally begrudgingly entered into compared to investments. Furthermore, high risk-orientated advertisers tended to be more confident about estimating the amount to be spent on advertising than low ($p < .10$). This may follow from the way each group viewed the role of advertising as a cost or investment. A Company viewing advertising as a cost is unlikely to ever be certain how much to allocate to advertising. Turning to creative and media choices, both low and high-risk orientated companies had equal

confidence in their choice of target markets (see Table 2). Both low and high risk groups were about the same in the confidence of their media choice, but high risk orientated advertisers tended to be more confident about estimating media effectiveness ($p < .10$). Several significant differences emerged on attitudes and practices to do with willingness to try different approaches. High risk-takers were more likely to target different target markets ($p < .10$). High risk orientated companies were significantly more likely (at $p < .01$) to try different creative approaches. They were also significantly more confident about their selection of strategies ($p < .01$) and executions ($p < .01$) than low risk. Creatively they were more assured and willing to try different approaches. Similarly, high risk orientated companies were significantly more likely ($p < .05$) to try different media than low risk. The attitudes and practices of advertising research varied little between the two groups as shown in Table 3. Qualitative research was marginally more popular than quantitative amongst both groups, but there were no significant differences between either risk-averse or risk-seekers as proposed. Furthermore, the high-risk group had more trouble in deciding what went wrong when campaign fail compared to the low risk ($p < .10$).

CONCLUSION AND RECOMMENDATIONS

This exploratory study suggests that high risk-takers are different to low risk-takers in several ways concerning their attitudes towards campaign planning, especially about creativity. P1 suggested that risk-seeking advertisers would differ from risk-averse in their attitudes towards the role and objectives of advertising. This was not supported by the findings: high risk-takers did not tend to focus on sales objectives or the short-run any more than low risk-takers do. However, high risk-takers were more likely to view advertising as an investment. P2 implied that risk-seeking advertisers will differ from risk-averse in their attitudes towards creative and media choices, and this was largely the case. Risk-seeking advertisers were more confident about selection of creative strategies and execution, and more likely to target different target markets and more likely to try different creative approaches and different media. Finally, P3, that risk-seeking advertisers will differ from risk-averse in their attitudes towards research, was not supported. The results suggest that high risk-takers use research much as low risk-takers do and are no more likely to use qualitative research than quantitative. The major difference between the two groups is that risk-takers are more confident about their selection of creative strategies, their choices of creative execution and are more willing to try out different market segments, creative approaches and media.

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TABLE 1
Attitudes to Role & Objectives of Advertising by Risk Orientation†

	Lo [N=38]	Hi [N=35]	2-Tail Sig
the primary function of our advertising is to increase sales	5.4	5.5	.811
the primary function of our advertising is to increase awareness	5.4	5.2	.548
the primary function of our advertising is to increase loyalty	4.8	4.9	.746
the primary function of our advertising is to modify attitudes	4.5	4.8	.404
the primary function of our advertising is to support a database	1.9	2.5	.050
without our ads, sales would drop significantly in the long-run	5.8	5.6	.488
without our ads, sales would drop significantly in the short-run	3.9	4.1	.683
expenditure on advertising is a cost rather than an investment	3.7	2.7	.025
I am extremely confident about what we spend on advertising	3.9	4.5	.100

†Risk orientation is derived from the average scores from (1) risk culture, (2) creative & (3) media risk taking and (4) tendency to lead competitors with advertising based on a scale from 1-7. The median score produced 38 low risk orientated and 35 high. ‡Scored from 1 ('strongly disagree') to 7 ('strongly agree').

TABLE 2
Campaign Choices by Risk Orientation

	Lo [N=38]	Hi [N=35]	2-Tail Sig
I am extremely confident about our choice of target market(s)	5.2	5.2	.880
I am extremely confident about our selection of creative strategies	4.5	5.4	.004
I am extremely confident about our choice of creative execution	4.5	5.3	.003
I am extremely confident about our choice of media	4.8	5.1	.340
my company often targets different market segments	4.6	5.3	.065
my company often tries different creative approaches	4.5	5.6	.000
my company often tries different media	3.7	4.4	.036
media effectiveness is straightforward to estimate	3.0	3.5	.100

TABLE 3
Advertising Research by Risk Orientation

	Lo [N=38]	Hi [N=35]	2-Tail Sig
my company regularly undertakes quantitative advertising research	4.7	4.9	.723
my company regularly undertakes qualitative advertising research	5.0	5.1	.798
I am extremely confident about measuring campaign success	4.0	4.2	.515
when an ad campaign fails--it is difficult to know what went wrong	3.5	4.1	.058

EFFECTS OF SPANISH VS. ENGLISH ADS ON BILINGUAL HISPANICS: MODERATING ROLE OF LANGUAGE DOMINANCE

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ABSTRACT

This paper examines the question concerning the choice of language when advertising to bilingual Hispanics. The prevalent view among advertisers serving the Hispanic market is that it is 'best' to advertise in Spanish. Such a policy assumes that most Hispanic consumers prefer communication in Spanish over communication in English. However, statistics indicate that more and more Hispanics are embracing English as their primary language of communication. Thus, some members of the Hispanic community actually prefer communicating in English to communicating in Spanish. The present paper indicates that the choice of language in advertising to bilingual Hispanics should be based on the language proficiency and practice of the target audience.

INTRODUCTION

Hispanic-Americans constitute one of the largest minority ethnic segments in the U.S. and, consequently, have attracted a great deal of marketing attention (Foster, Sullivan, Perea 1989). A good deal has been written in recent years about the distinct nature and size of the Hispanic market. One of the widely cited claims is that Hispanics prefer Spanish language broadcast media and advertising. In recent years a growing number of manufacturers have been targeting U.S. Hispanic consumers through Spanish-language media and advertising. Total Hispanic (Spanish language) advertising expenditures hit an estimated \$1.2 billion for 1996. The top five markets in terms of Spanish language advertising spending are as follows (Zate 1996):

1. Los Angeles	\$264.31 million
2. Miami	\$138.98 million
3. New York	\$116.62 million
4. Chicago	\$ 53.67 million
5. San Francisco	\$ 42.72 million

A survey of consumer goods manufacturers indicated that advertisers tend to believe it is best to advertise to Hispanics in Spanish. About 41% of the managers interviewed in a study agreed with the statement "research shows that we will miss Hispanic consumers if we do not specifically market to them in Spanish" (Albonetti and Dominguez 1989, p.13). Further, 70% of the managers agreed with the statement "Spanish-language advertising is necessary even for younger Hispanics because the emotive powers of the 'mother tongue' are not quickly diluted, no matter what the degree of assimilation" (p. 15). However, there is very little empirical research to support the widely held belief that Hispanic consumers prefer Spanish language ads (Albonetti and Dominguez 1989; Roslow and Nicholls, 1996).

LITERATURE REVIEW

Spanish language does provide a common bond of communication for Hispanics (Ramirez 1983), and its use can help reinforce cultural values and beliefs (Greenberg et al 1983). However, not all Hispanics choose to communicate extensively in Spanish. Past research has indicated that the use of Spanish language media is heterogeneous within the Hispanic community with some individuals preferring to use Spanish and others preferring to use English (O'Guinn and Meyer 1983).

Language use and preference has long been tied to the assimilation process (Leslie, Larson, and Gruman 1976). Members of ethnic minorities may prefer and more frequently use a language in an attempt to take on and display the norms of the dominant culture (acculturation) so that they may be accepted and adopted by it (assimilation). By taking on a preference for the English language, some Hispanics are most likely taking on other values and norms of the dominant culture as well (Veltman 1988).

Recent trends indicate that familiarity and use of the English language is increasing among the Hispanic population in the U.S. English is the mother tongue - the first language learned - of fully 30% of American Hispanics (Exter 1989). The number of Spanish-English bilinguals is expected to be about 13.5 million by the year 2001, and among bilinguals the preference for English over Spanish is increasing - with 45% preferring to use mostly English on a typical day (Exter 1989). Hispanics are adapting to the language of their adopted land rather quickly (Veltman 1988). The U.S. Bureau of Census predicted that by the year 2000, 64% of all Hispanics are expected to read, write and speak predominantly in English (Adelson 1989).

Given this trend one may well question the conventional wisdom of 'use Spanish to advertise to Hispanics'. This is an important issue, because with increasing expenses associated with advertising, marketers could be incurring considerable sums of money to create special ads for the Hispanic market when there may not actually be a need to do so. The argument therefore is that Hispanics who are fluent with the English language and prefer to use it more than Spanish may not require special ads in Spanish.

The issue of whether Hispanics are effectively persuaded by ads using Spanish or English language is not well understood. Available research evidence fails to provide any clear guidelines on which language is better suited for advertising to Hispanics. Few studies have really examined bilingual Hispanic consumers' reaction to the use of English versus Spanish in advertising. The issue of whether different groups of Hispanic consumers will react differently to advertisements in English versus Spanish has received even less attention.

Newton (1986), using a sample of bilingual Mexican-Americans studied whether or not advertising messages in English or Spanish would be more or less effective toward Hispanic audiences. Newton however, failed to uncover differences in advertising recall which could be attributed to Spanish vs. English language copy, thus challenging the assumption that Hispanics should be addressed in Spanish in order to maximize advertising effectiveness.

Feinberg (1988) investigated the impact of the language used in advertising on selective attention, advertising preference, advertising recall, and information processing. He found that Hispanics paid more attention to ads in Spanish than ads in English; preferred ads in Spanish over ads in English; and recalled ads in Spanish better than ads in English. Given these conclusions, Feinberg recommended marketers communicate in Spanish when advertising to Hispanics.

Koslow, Shamdasani, and Touchstone (1994) applied the socio-linguistic theory of accommodation to investigate how bilingual Hispanic consumers respond to the use of Spanish versus English in print advertising. They found that though the Spanish language ad increased Hispanic consumers perception of advertisers sensitivity to Hispanic culture, it elicited less favorable attitude toward the ad, as compared to the English ad. The authors interpreted this as an indication of Hispanic consumers language (Spanish) related inferiority complex.

In two recent studies Nicholls and Roslow (1996), and Roslow and Nicholls (1996) classified Hispanics into Spanish dominant and English dominant based on the language used at home. Their studies found that message recall as well as attitude towards brand trial were higher for subjects viewing the Spanish in comparison to subjects viewing the English ad. This pattern was true for both Spanish dominant and English dominant subjects. The authors thus conclude that advertisements in Spanish are more effective even if the Hispanic is fluent in English. However, The English dominant sample in these studies comprised of Hispanics who preferred English over Spanish, plus those who preferred the two languages equally. This definition of English dominant subjects could have confounded their results.

The present study is an attempt to shed some more light on this important issue. The aim of this paper is to examine the choice of language when advertising to bilingual Hispanics. Specifically the study examines whether Hispanic consumers

can be segmented based on their dominant language of use (i.e., whether it is English or Spanish) and if such a segmentation helps identify groups which are more effectively persuaded by one language or the other (Hernandez and Newman 1992). The current study focuses on understanding if language dominance, - i.e. the degree to which Spanish or English is the more prevalent language used in day to day communication, moderates bilingual Hispanics' responses to English versus Spanish language ads. The research hypothesis therefore is:

H1: Language dominance moderates bilingual Hispanics responses to a Spanish (English) language ad, such that:

- (a) Spanish dominant bilinguals respond more favorably to an ad in Spanish
- (b) English dominant bilinguals respond more favorably to an ad in English

DESIGN AND SAMPLE

The ad developed for the purpose of this study promoted a new Health Club and was targeted at women. The ad was created in English and then translated into Spanish by a qualified translator. The Spanish ad so obtained was back-translated into English by yet another qualified translator. The ad was modified and the process repeated to ensure that the two ads were linguistically equivalent (see Appendices A,B). Field interviews were conducted with 69 Hispanic undergraduate students. All respondents were female, consistent with the target market. As all respondents were bilingual, the interviews were conducted in English, the language of instruction at the University, a public institution in the southeastern United States.

MEASURES

Multiple item measures were developed for all constructs (see [Table 1](#)):

Independent Variable

1. Language dominance: this scale measured the degree to which respondents used Spanish or English in their everyday life (Koslow et al. 1994). The scale was composed of four items relating to language used at work, home, when shopping, and when conversing with friends/family. Each item was measured on a 5 point scale (1=mostly use Spanish; 5=mostly use English). The composite scale constructed from these four items had a reliability coefficient of .78. Using a median split subjects were classified into two groups (a) Spanish dominant - i.e., mostly used Spanish in their day to day interactions (b) English dominant - i.e., mostly used English. Subjects who had the median score were removed from the analysis.

Dependent Variable

1. Advertisers Respect for Hispanics: was measured using three items measured on a 7 point scale. These were - Respects Hispanics/Does not respect Hispanics; is aware of Hispanic needs/Not aware of Hispanic needs; Interested in Hispanic clients/Not interested in Hispanic clients (Koslow et al. 1994). The reliability coefficient for the composite scale was .90.

2. Attitude toward the advertisement: the scale comprised of four items measured on a 7 point scale. These were - Good/Bad; Effective/Ineffective; Interesting/Uninteresting; I liked it very much/I disliked it very much. A composite scale was constructed with a reliability coefficient of .96.

3. Attitude toward the brand: the scale comprised of four items measured on a 5 point Likert scale. These were - Very good health club; I like it; I have favorable feelings about it; It is a pleasant health club. The reliability coefficient of the composite scale was .90.

4. Attitude towards product trial: was measured using three items using a 7 point scale. These were - likely/unlikely; probable/improbable; possible/impossible. The reliability coefficient for the composite scale was .96.

RESULTS

Subjects were classified as 'Spanish dominant' or 'English dominant' based on their responses to four items measuring language use in everyday activities. Of the 69 students interviewed 11 were removed from the sample because, they used both languages almost equally in their daily affairs. The distribution of the rest of the sample (58 subjects) in terms of dominant language of use and the type of ad seen was as follows:

	Dominant language: Spanish	Dominant language: English
Ad in Spanish	10	12
Ad in English	20	16

To analyze whether language dominance moderated consumers' reaction to the Spanish versus the English ad, 2-way ANOVAs were performed on the dependent variables of interest. The results of the 2-way ANOVAs incorporating the two independent variables - language used in the ad and subjects dominant language - are presented in Table 2. The cell means for the four dependent measures are shown in Table 3.

Advertiser's Respect for Hispanics: ANOVA results indicate a significant ($p < .05$) main effect of language used in the ad on subjects' perception of how much the advertiser respects Hispanics. No interaction ($p > .10$) was observed between language used in the ad and subjects' dominant language, thus indicating that irrespective of their own language preference, bilingual Hispanics who saw the ad in Spanish felt that the advertiser was more respectful of Hispanics as compared to those who saw the ad in English.

Attitude toward the Ad: Neither a significant main effect ($p > .10$) nor interaction effect were observed on this measure. However, the mean scores seem to suggest that Spanish dominant subjects found the ad more appealing when it used Spanish ($\bar{X} = 23.7$) as compared to when it used English ($\bar{X} = 20.0$). English dominant subjects appeared to find the two ads equally appealing (Spanish ad: $\bar{X} = 20.0$; English ad: $\bar{X} = 20.2$).

Attitude toward the Brand: A significant ($p < .05$) interaction was found between language used in the ad and subjects' dominant language. Examination of means indicated that Spanish dominant subjects rated the brand more favorably when the ad used Spanish ($\bar{X} = 15.1$) as compared to when the ad used English ($\bar{X} = 13.6$). In contrast, English dominant subjects rated the brand more favorably when the ad used English ($\bar{X} = 14.1$) as compared to when the ad used Spanish ($\bar{X} = 12.6$).

Attitude toward Trial: A significant ($p < .05$) interaction was found between language used in the ad and subjects' dominant language. Mean scores indicated that Spanish dominant subjects expressed greater interest in trying the new health club when the ad used Spanish ($\bar{X} = 18.6$) as compared to when the ad used English ($\bar{X} = 13.1$). In contrast, English dominant subjects expressed greater interest in trial when the ad used English ($\bar{X} = 13.7$) as compared to when the ad used Spanish ($\bar{X} = 11.9$).

DISCUSSION

The results support the hypothesis that language dominance moderates bilingual Hispanics' reaction to ads in Spanish versus English. Specifically, it was observed that bilingual Hispanics, for whom Spanish was the primary language of communication, responded more favorably to the ad in Spanish. For those bilinguals whose dominant language was English, the ad language effects were mixed. Though the use of Spanish did create a sense that the advertiser respects Hispanic culture, it did not lead to a more favorable attitude toward the ad, attitude toward the brand, or attitude toward product trial.

The study demonstrates that not all Hispanics respond more favorably advertising messages in Spanish. Consequently, advertisers targeting Hispanic bilinguals should check their target consumers' language preferences prior to

creating Spanish versions of their ads. If the target group is English dominant Hispanic bilinguals an English ad would be equally or more effective than a Spanish ad.

A number of caveats are in order. The current research is limited to a single print advertisement. Further work incorporating an enhanced assortment of products and services and a variety of advertising strategies and executions is needed to test the generality of the findings. The sample selection was deliberately chosen to be homogenous (young bilingual Hispanics) which emphasized internal validity. The respondents were predominantly native Spanish speakers attending an English language university. As a group they were facile in both English and Spanish and so the findings are most indicated for young acculturated Hispanics and are not generalizable to Hispanics in general. However, the results do suggest that for an economically significant segment, the English language is an effective vehicle of communication.

TABLE 1: SUMMARY OF MEASURES

Measure	Number of items	Reliability coefficient (Cronbach's alpha)
Language dominance	4	.78
Advertisers sensitivity to Hispanic culture	3	.90
Attitude toward the Ad	4	.96
Attitude toward the brand	4	.90
Attitude toward trying the product	3	.96

TABLE 2: F-values FOR 2 x 2 ANOVAS

	MAIN EFFECTS		INTERACTION EFFECT	
	Language used in Ad (A)	Dominant language of subject (D)	A x D	
Advertiser's Respect for Hispanics	13.29 ^a	1.51	0.44	
Attitude toward the Ad	1.36	1.36	1.79	
Attitude toward the Brand	0.00	2.04	4.77 ^b	
Attitude toward Trial	1.83	4.97	7.34 ^a	

^a p < .01

^b p < .05

TABLE 3: CELL MEANS

	DOMINANT LANGUAGE OF USE			
	SPANISH		ENGLISH	
	Spanish Ad (n=10)	English Ad (n=20)	Spanish Ad (n=12)	English Ad (n=16)
Advertisers respect for Hispanics*	18.0	13.3	15.9	12.6
Attitude toward the ad**	23.7	20.0	20.0	20.3
Attitude toward the brand***	15.1	13.7	12.6	14.1
Attitude toward brand trial*	18.6	13.1	11.9	13.7

* scale ranges from 3-21 ** scale ranges from 4-28 *** scale ranges from 4-20

Note: Higher scores indicate more favorable response

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EXPLORING PRINT ADS AND WEB SITES TARGET MARKET AND APPROACH MATCH-UPS: INTERACTIVE VIDEO GAMES AND FACIAL COSMETICS

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ABSTRACT

This is a summary of the findings and a discussion of an exploratory research project used to acquire preliminary information about the match between the target audience of magazine advertisements and the corresponding Web sites listed in the ad. A content analysis based on the perceptions of the research team was used to make the comparisons. Data was also gathered on how the advertisers used their Web sites to find information about site visitors. The product classes studied were interactive video games and facial cosmetics. Varying degrees of match were found.

INTRODUCTION

The Internet is a relatively new advertising medium and companies and organizations have been seeking ways to use it effectively. An increasing number are on the Web and wish to make it easy for customers and prospects to find them there. Hence Web addresses are placed in many advertisements in the traditional media such as television, radio, and especially print.

Background

The project to build a World Wide Web was originally formed to provide a "distributed hypermedia system." The system was designed to allow anyone to access information from around the world easily (Gromov 1996).

Although there is currently no way to measure the exact number of Internet users, as of July 1996, Network Wizards, an Internet research company, reported 12,881,000 hosts on the Internet. It is projected that there will be over 100,000,000 hosts on the Internet by the year 2000 (Gromov 1996).

The average age of Internet users is 34.9 years old and this is rising. Female users tend to be slightly younger than males. The majority of all users are between 26 and 50 years of age. Those in the computer industry account for the highest share at 27.3%. Education, which includes students, follows with 25.2%. Professionals at 22.1% and other occupations at 14.3% rank third and fourth, respectively. Management occupations are at an 11% share. More than half, 51.5%, of those in the 19-25 age group are students. Approximately 45.9% of all respondents access the Web 1 to 4 times per day. Those aged 19-25 are the heaviest users, ranging from 5 to 8 times a day. Female use is increasing and is predicted to continue to grow. Currently, males are more likely to be heavy daily users.

Respondents state that product information is a major reason for going on-line. On a weekly basis, 33.4% of males gather product information. In comparison, 23% of females are seeking such information (GVU WWW User Survey 1997). According to the *Advertising Age/Market Facts* survey, 53.2% of Web visitors use the Internet to research products before making a purchase. More than half of these respondents have visited a marketing company's home page (Fawcett 1996).

Over half of consumers make their way to home pages unintentionally, not using Web addresses displayed on print advertisements or from other sources. This points to the need for companies to be on various search engines if they expect their Web sites to be more easily found.

Companies have five major reasons for being on the Internet. First, it will help them *broaden their customer base*. Users will be able to identify sales prospects, sources of products and services, and trading partners. Second, it can be used as a *marketing tool for products and services*. By gaining access to the Web pool of customers and potential customers, companies can market their "benefits deliverable" to match the "benefits sought" by target market members who visit the sites. Thus, product information can be provided and a favorable corporate image portrayed. In addition, companies are using the Web as an electronic coupon dispensing device and a place to present special offers and price discounts. Third, the Web

can be a *source of increased productivity*. Companies can increase their ability to identify competitors and industry trends as they are occurring. Fourth, it can be an *effective communication tool to transmit and receive information*. The Internet is more efficient and less expensive than traditional means of business communication such as postal mail, faxes and phone. Finally, businesses can *improve customer service via e-mail feedback*. Company web sites should provide a way for visitors to respond with complaints, suggestions or questions. This gives the marketer an easier and faster way to identify and solve common problems.

A Web site is unlike any other existing medium. And can be thought of as a combination of advertising and direct selling. Pages can be designed to generate awareness, explain or demonstrate products and provide information as advertising on various other media do today. At the same time, the site visitor can be involved in a dialogue. The company Web site functions as a supplement to other consumer advertising and promotion efforts. And the Internet is “like one-on-one advertising,” says Mike Lotito of Advertising Age (Petrecca 1996).

Of the approximately one third of American households with a personal computer, less than 5% use on-line services to find product information (Dolliver 1996). It was found that 33% of consumers use the Internet for business purposes while marketers use it only 6.7% of the time as a way to sell products, claiming magazine advertisements elicit more sales leads (Reilly 1996). These facts imply great untapped potential for the Web.

Most companies appear to be using the Internet as a new medium to deliver the same message. They are not taking advantage of its two-way communication power. This invitational medium has the potential to allow each consumer to “construct their own ad” putting together the types of information found at the site to aid in the specific product or service choice decision being made. Web site advertisers must come to realize this to take full advantage of this “new” medium.

As the authors scanned numerous magazine advertising - Web site advertising combinations many instances of poor matches between advertising content, style and targeting were found. In other cases the matches were quite good. Could there be a systematic way to look at this situation — and could situation changes over time be tracked? The feeling was that we should begin to answer these questions by developing an analysis approach and then try it out on a small sample of magazine Web - site combinations for a few product classes. Two product types are reported here: *interactive video games* (the assumption being that buyers and sellers would be very in tune with the Web) and *facial cosmetics* (a product that might not currently be commonly sought on the Web by members of its target market). Also, are sellers determining who is coming to their Web sites? Since audience measurement is necessary for future marketing and promotion planning it was thought that such information should be gathered. Finally, were any special promotions found in the print ads also at the companion Web sites? These observations and questions led to the exploratory work reported here.

Objectives

The objectives of the current research project were, first, to *determine if sellers of interactive video games and facial cosmetics are typically targeting the same audience with both their print and Web site advertising for the same branded products*. Second, *are these marketers attempting to capture consumer data at their Web sites and, if so, how is this being done*. Finally, *determine how companies are using the ad-Web site combinations to promote special offers*. To explore these objectives the authors compared print advertisements to corresponding Web pages on the basis of content.

METHODOLOGY

As noted earlier, the product classes chosen as the basis for the study were interactive video games and facial cosmetics. Twelve print advertisements were selected from the interactive video game category. Six print advertisements were used in the facial cosmetics class since it was more difficult to find advertisements with Web addresses cited. Each these advertisements displayed a Web address somewhere on the page.

Analysis Methods

First the print advertisements were content analyzed (Kassarjian 1977). Two judges were used with one doing all of the ads and the Web sites and the second making periodic cross checks or resolving problem situations.

The product, brand and manufacturer were identified. The magazine audience profile was estimated to help define the target market. The target audience was then described on the basis of the researchers' perceptions of the demographics, lifestyle, reference groups and household decision maker as portrayed by the elements of the ad. Then any offers listed in the print advertisement were documented and the Web site address displayed in the advertisement was recorded.

The second phase involved content analyzing the Web sites. Again, the product, brand and manufacturer were recorded. Next, the target audience was determined as presented on the first Web page. The same approach as that followed for the print ad was used. This allowed for determination as to whether the target audience for the site matched that of the magazine ad. The subjective match rating system used was: "no," "yes on the first Web page," "yes on a later Web page," "partially on the first Web page" or "partially on a later Web page." If offers were found, the type and Web page location were recorded. Typical offers included such options as sweepstakes, free brochures, or a free product video. The offer data was then compared to those found or named in the print advertisement to determine a match. Next, the Web site was checked to see if visitor information was requested and of what types. Then, the copy platform of the entire site was compared to the copy platform of the print advertisement. Mood, key promise, benefits and "great idea" or theme were factors used as the bases for this comparison. Finally, both promotional executions were compared and contrasted in general to estimate how well they matched.

RESULTS

Interactive Video Games

Magazine analysis. Twelve interactive video game manufacturers' Web pages were viewed to find a target match with the magazine advertisements. The magazine source for all video game advertising was Game Pro. Males aged ten and up were the primary target group. Females and younger children were also targeted in some advertisements. Lifestyles included, but were not limited to, reading comic books and computer and gaming magazines, watching cartoons and watching adventure programs on television. The primary reference group was students of all ages. Though the young video game users influenced the purchasing decision, parents were the final decision makers in most cases. *Web analysis and match.* Only one site, Inngames, did not match the target audience of the print advertisement. The magazine advertisement encouraged consumers to "play online", but the game could not be found on the Web site. The home page targeted older children. The copy platform was also completely different from print. Five out of twelve sites matched the target market on the front page. Four sites only partially matched the target group on the first page and two partially on a later page. *Offers and match.* No offers were made in the magazine advertisements. The only Web site with no offers was Tecmo, Inc. All other sites had at least one offer. Half had more than one. One-third of the sites allowed viewers to order games on-line. One-fourth allowed visitors to download game demos and/or gave technical support. Only two offered a contest. At least one site each offered free codes, hints and tips, company information and job opportunities, a toll-free number to call for game rating or buy two games, get one free. *Visitor information.* No visitor information was asked for on five sites. Four Web sites included optional visitor surveys. Three sites requested data in return for something. For example, Capcom's site required that visitors register in order to obtain access to on-line promotions and special features. The company was likely asking for information to assist them in future marketing decisions. Questions such as age, magazines read, gender, comic books read, favorite types of games, what they look for in game ads, aspect sought most in a new game, major source of game reviews besides the Internet and others were asked. This site had the most in-depth consumer research survey. As another example, Tecmo, Inc. gave visitors the "secret URL of Tecmo Secret Wall Paper Club" when they answered a survey. Other surveys asked for similar information and hardware owned. *Overall match.* Two Web pages were considered poor. Inngames did not match its target audience at all. In addition, the mood was dark, unlike the colorful print advertisement. Virgin Interactive Entertainment matched its print target market partially on the first page. However, the mood was fun and colorful with plenty of white space, dissimilar to the magazine advertisement. Over half, seven, of the sites were fair. Activision's mood was completely different, but the information enhanced the print advertisement. No theme was conveyed and each page had its

own identity. Secondly, Westwood Studios' site struggled to fit two different target markets. It contained much corporate information and employment opportunities. A "Command and Conquer" theme with the Westwood logo was positioned at the top of every page. This gave the site some consistency. Next, ASC Games, Acclaim Entertainment, Sega and Tecmo, Inc. all had a general home page that featured more than one game on which visitors could click. Only Acclaim's site used cartoon characters named "Ramm" and "Twitch", as a theme on the front page. The three others lacked any consistent theme. Lastly, no target audience could be easily identified on Playmates' home page. However, the video games page portrayed a dark mood like the print advertisement. Two sites were ranked good at matching their magazine advertisement. First, Capcom communicated a similar fighting and combat theme in both media. No video games were listed on the front page. Visitors had to access games on the page labeled "Gear Up". Secondly, Lucas Arts Entertainment's site contained no graphics, but only a black background with plain copy. Simple graphics would have made the site more interesting to view. Namco's site matched the magazine advertisement best. Tekken 2's own page, the game in print, was displayed on the front page. The colorful, futuristic mood was carried throughout the site. Information was easy to find and obtain.

Facial Cosmetics

Magazine analysis. Six print advertisements with different cosmetic brands and Web addresses were analyzed. Cosmopolitan, Glamour and Mademoiselle were the sources for these advertisements. Products displayed in the advertisements were lipstick, foundation, nail polish, eye shadow and mascara. The female target audience ranged from 16 to 35. The majority of the target group probably reads beauty, health and fashion magazines and shops in malls and major department stores. Reference groups included, but were not limited to, young professionals, high school or college graduates and retail store employees. Two of the six advertisements contained offers. Revlon's mini-brochure included two coupons for savings and a free magazine subscription. Cover Girl's advertisement listed a toll-free number to call for more information. *Web analysis and match.* The products, brands and manufacturers were very similar on the Web sites for cosmetics. The target audience was the same with an addition of males as a secondary market. Five of the six Web sites matched their print target audience on the first page. Clinique was the only site that did not. However, Clinique did match its target on the second page. *Offers and match.* No offers on the sites matched the those in print. Two sites, Bonne Bell and Lancome, contained no offers. Two sites gave a toll-free number to call for more product information or to order products. One site had free make-up how to's, free gift when customers attended workshops, free coupons or free e-mail updates on new products and promotions. Sweepstakes were found on two sites. *Visitor information.* Only one site, Bonne Bell, did not ask for any visitor information. Five sites requested information in exchange for special offers. Revlon, Loreal and Clinique asked its visitors which products of their brand they use most often. Also, they inquired about where consumers go to buy their make-up. Loreal also asked for the respondent's age and how they heard about the Web site. *Overall match.* Loreal's site poorly matched the magazine advertisement overall. The mood was different in each medium. Also, a "Paris" theme on the Web pages did not look anything like the print advertisement. Clinique's was a poor match. The first page had four links to other sites on the bottom and an unrecognizable Clinique model. Visitors had to click on the model to gain access to the second page that contained all links to other pages in the site. Bonne Bell's image on the Web was slightly different than in print, but overall fairly similar. It took a long time to download each page and there were no links on any pages to take visitors back to the home page. The bold and fun mood was consistent throughout the site and it matched the magazine advertisement in a "good" fashion. Three of the site matches with the print advertisements were considered "great." First Cover Girl's site used famous models throughout their site. They displayed a fresh clean look using pastels on a white background on every page. Secondly, Lancome used the same colors in both media along with its rose icon. Revlon also used the same colors, models and copy in both media. Their "Very Currant" theme was prominent in both. Information was easy to find on these three sites and the layouts were simple, yet unique to the brand image.

DISCUSSION

Sites within the interactive video game category had a similar look. Many allowed visitors the opportunity to download game clips. Few listed all their games on the first page. Instead, they used an icon labeled "Games" or something comparable to point visitors to the separate page. Most video game home pages took quite a long time to download. Advertisers should list the specific game addresses on the print advertisements instead of the manufacture's URL. They could still have links to the other games sold and the manufacturer's home page. A link titled "More Games" would attract the

audience to search the site for more entertaining games after the game featured in print was viewed. In addition, they could have a specific page for ordering on-line, a number to order by telephone or stores where the game is sold. Otherwise, visitors may get frustrated by the slow, high-intensity graphics on each page that they have to access in order to find the game page for which they are searching.

Within the cosmetics category, sites also showed some resemblance to one another. Most had a "make-up tips" page and a page featuring their newest products. Clinique's site would have been much more effective if the front page was eliminated. The second page matched the print advertisement wonderfully. The links on the front page were bad ideas. Visitors could opt to view those sites instead of continuing. The links to other sites would have been more effective on another page. Overall, the Web sites within each of the three product classes had comparable layouts.

While it is a good idea for companies to communicate similar forms of information via the Internet, they should try to differentiate themselves through a unique site set-up and image. Just as importantly, marketers should stay focused on their target audience. If a company displays their URL in a print advertisement, they should make sure that site matches the target market for the print advertisement.

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RELATIONSHIP MARKETING: A SYNTHESIS OF THREE RESEARCH ARENAS

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ABSTRACT

The relationship marketing literature has offered substantial insights, but also has been confounding. Different research streams use ideosyncratic definitions and terminology, and only tangentially merge as an integrative framework. An organizing framework is presented here to synthesize the three primary literature streams: services marketing, business-to-business marketing, and channels of distribution. Among the observations drawn from this endeavor are: there is no commonly accepted definition of relationship marketing, there is an absence of research on tangible consumer products, relationship marketing is reserved for important exchange partners, other marketing efforts can be mistaken as relationship marketing, and a modest amount of research has addressed the impact of relationalism on performance outcomes.

RELATIONSHIP STRATEGIES REVISITED

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ABSTRACT

Based on technological alliances, reverse marketing and human relationship, relationship marketing is a strategy which aims to expand and maintain the target markets, new marketing opportunity, and to promote special relationship between sellers and buyers for mutual benefits. The strategies, thus, include customized product, effective communication, good human relationship in the global and cultural contexts, technological cooperation, and well-researched consumer and industrial database.

INTRODUCTION

Technological revolution, information highway, worldwide web, intense business competition, political, social, and moral changes, are rapidly ushering the world to the gateway of the 21st century before our eyes. As a result of these events, unprecedented transformations in business structure, marketing activities and strategies, and consumer behavior are taking place around the globe. Daily innovations in product, channels of distribution, marketing communication and promotion, and pricing strategies are forcing us to face new challenges, providing us new sense of urgency for adaptability, flexibility and further innovation. This is a high time for academicians as well as practitioners in the business world to review and rethink marketing strategies for the new century in the global context.

Traditional marketing strategies, for instance, were built around the concept of improving retail sales to consumers through mass communications such as newspapers, radio, TV, and other written materials. This kind of promotion has indeed saturated the consumer market. But, average consumers today are becoming less sensitive to these mass communications. Consumers do not respond to the mass communication as intensively as they did in the past. We need a new promotional strategy to reach the critical marketing mass.

In the changing marketing environment, the definition of relationship market needs also to be reviewed. In the old days, relationship market was largely based on the family linkage, kinship, and close friends, especially in the Eastern cultural context. In recent time, relationship market has taken a new degree of intensity and meaning. This is particularly true when it applies to industrial market. Thus, the relationship market was generally defined as a strategy to build a long-term relationship between buyers and sellers, based on rational basis of mutual profitability, future opportunity, and potential benefits.

In view of an age of rapidly changing technological explosion, relationship marketing in this study can be defined as the marketing activities and strategies which develop a long-term relationship between buyers and sellers, based on mutual benefits derived from both human relationship and technological alliances. In our complex and highly advanced scientific and technological world, no one firm could monopolize the benefit of technological innovation. Technological alliance among the producers can advance the cause of technological breakthrough.

Human relationship is based on mutual trust through good communication and interaction within the cultural environment. Understanding of the culture is one of the corner stone of establishing an effective long term relationship between buyers and sellers and to develop trust, especially in the global market.

LITERATURE REVIEW

Relationship marketing has been presented by many scholars in the past. Some scholars defined relationship marketing in a simple way, while others present very complex definitions. Copulaky and Wold (1990) defined that relationship marketing combines the components of promotion, public relations, and direct marketing to generate more efficient and effective ways of reaching old and new customers and to develop a continuous relationship in marketing

transactions. Kotler in 1991 defined relationship marketing as one who attempt to build up long-term, trusting, win-win relationships with customers, distributors, retailers, and vendors.

Bearden, Ingram, and Laforge (1995) emphasized that relationship marketing hinges on mutual help in the spirit of cooperation. One could utilize database marketing and promotional tracking and direct marketing to improve customer relation. Lamb, Hair and McDaniel (1996) describes relationship marketing as a marketing strategy that forges long-term relationships with customers, to include business-to- business buyers. Logan and Nonis (1996) concluded that relationship marketing has to do with the marketing firm attempting to establish long-term partnerships with customers for the benefit of both parties.

RELATIONSHIP STRATEGIES REVISITED

Relationship marketing is a dynamic and growing process in which one firm expand relationships with marketing partners and in turn that marketing relationship can be expanded to include new and wide circle of contact with new customers and business. In this process of expansion, relationship marketing strategy becomes a critical factor.

Every strategy and plan should have clearly defined mission, objective, timing, and specific assignments. The strategy should ensure that the plan allows for flexibility, and adaptability in every changing environment. Every plan should have several options. Flexibility applies to the effective implementation of the strategy. Therefore, relationship marketing is a strategy of building a long term relationship between buyers and sellers, so as to achieve mutual benefits.

Good planning should consider the alternatives available to both buyers and sellers. One should make reasonable assumptions of competitive intentions and the worst case of mutual distrust in the relationship marketing. Many content that the success of Japanese organization is due to primarily to their focus on long range planning. However, several scholars insist that their success is based on short-term incremental gains, not long term planning. Both arguments may be accurate (Michaelson, 1987).

Based on technological alliances and human relationship, relationship marketing is a strategy which attempts to expand the target markets and marketing share, and to develop new marketing opportunity, and to promote special relationship between buyers and sellers. Sun Tzu (1965) in his Art of War described that because of multiplicity of war strategies, with many calculations, one can win the battle. With few calculations, one can not. If the strategy is correct and implemented well, the battle is already half won. On the other hand, the implementation of the strategy is inept, the battle is more than half lost. What is the correct marketing strategy in the context of relationship marketing? What is the efficient implementation of marketing strategy?

First, like the military strategy, correct marketing strategy should establish an effective communication network. Promotion, personal contact, advertising, frequent interaction, and information sharing with existing and potential customers are essential in maintaining long-term relationships. An effective communication should be well received among the parties involved. The method of delivery is as important as the contents of communication, because cultural, racial, geographical and historical factors must be reflected in communication.

Because of worldwide web and internet, consumers have instant access to information on product and prices of domestic and international markets. Therefore, marketing firms must develop in-depth demographic analysis, purchasing behavior, life styles, and market segmentation. One can build well-researched consumer database through modern technologies and methods such as UPC scanning equipment, relational database, and audience measurement.

Consumers today are becoming more sophisticated, and demanding personalized and customized product and information. Average consumers are highly educated with a higher level of buying power. American consumers are more diversified as the American demographics are changing. Consumers are highly mobile and demanding more convenience and speed. American society is a busy society. Therefore, speed of delivery and convenience are the key words for average consumer.

An effective communication, thus, includes personalized and customized information and product to be delivered to average consumer, when he wants and where he wants. If the advertising can deliver personalized and customized message to the various segments of the marketplace, advertising can have a powerful impact on consumers. Promotion must be unique, and so carefully targeted that it penetrates the hearts and minds of consumers. This means that one has to create personalized communication to the consumers with differentiated product, pricing, and speedy distribution. In the 21st century, marketing firms need to build well-developed consumer database. Long term relationship marketing should be based on functional consumer database.

Second, because of changing marketing environment, consumers today demand high quality in product and service, and price. Most industrial buyers, for instance, try to achieve and maintain a specific level of quality in product they offer to their target markets. The organization's exact specifications are extremely important to business customers. Organizational buyers value good service, as the service offered by suppliers affect organization's costs, sales, and profits. Maintaining adequate inventory is critically important. Organizational buyers need technical product information, demand situation, supply and delivery information. Reliable in-time delivery saves industrial customers cost, enabling them to carry less inventory.

Because of providing quality in product and service becomes so critical to industrial buyers and their expectations, reverse marketing is taking place everywhere. This is where business buyers develop a special relationship with suppliers and producers that shape the products, services, operations, distribution channels, and capabilities of the suppliers to better satisfy the buyer's requirements. This is a good example of both technological alliance and human relationship strategies.

RELATIONSHIP STRATEGY FOR INDUSTRIAL MARKETING

Relationship marketing has a particular importance to industrial marketing in general, as many people are involved in several stages of purchasing and negotiation between buyers and sellers. The industrial marketing firms usually buy a large quantity of goods and services of precise specifications. They tend to use direct channel of distribution as well. Negotiations on product, price, even the channels are usually taken place between industrial buyers and sellers, in order to finalize the transactions. Negotiations can be simple and short, when the transactions are the case of "straight rebuy purchase." This implies that a routine purchase of the same products by an organization from the same suppliers is taken place. This is where a long term and personal relationship based on past experience and trust become critically essential.

This is particularly important, in view of the fact that industrial customers, especially producers, buy products for direct and indirect use in the process of production of products and services to satisfy consumer products. The demand for industrial goods and services in this case is derived, and that the demand for industrial goods and services tends to be inelastic. Thus, industrial producers, resellers, government units and institutions select suppliers and negotiate terms of purchase, based largely on the past experience of the product performance from the suppliers, especially in the case of "straight rebuy purchase." Therefore, long term relationship can be built on solid ground of mutual satisfaction and trust, based on beneficial past experiences.

Even in the situation of buying center where a group of people including buyers, users, and gatekeepers are interacting in the purchasing decisions for the organization, relationship marketing between the suppliers and employees in the organization, provides vital linkage to the various stages of buying decision process. The information in terms of suppliers and type of purchase are known by the people in the organization. Especially, when we consider age, educational level, job status, personality, and income of individual within the organization, relationship marketing has a significant impact on the purchasing decision process in the business firm.

The organizational mission must be brought down to the lowest management and operational level, so that the organizational mission must be understood by everyone in the firm, and must be implemented by every level of the organization. Therefore, effective implementation should be focused on an important objective, and consider alternative approach whenever possible, especially in the operation of buying center. Relationship marketing must be implemented by everyone.

Relationship marketing is most conspicuous in the area of reciprocity, where two organizations agree to buy each other. This form of transactions is unique to organizational sale. Even though such a practice generates risks, industrial firms that develop long-term relationships based on such cooperation, trust, and benefits, could produce an effective competitive edge. This practice does have a negative impact on buying agents and generate less than optimal purchase in the competitive world of business. Dealing exclusively with one or two suppliers regardless of better price and product qualities may impose an unfair impact upon organization's objective and effectiveness in the long run.

SUMMING UP

Technological revolution, information highway and worldwide web have forced us to face a drastically new challenges in the 21st century. No one can escape from on-coming business competition, political and social changes, and demographic changes in our time. Traditional marketing strategies are no longer effective today as they were a decade ago. This is a high time for us to be adaptable, flexible, and innovative in our marketing strategies, especially in relationship strategies.

Relationship marketing in this study is defined as the marketing activities and strategies which develop a long-term relationship between buyers and sellers based on mutual benefits derived from both human relationship and technological alliance.

Because consumers today are becoming more sophisticated and demanding personalized product and information, an effective communication and promotion should provide personalized and customized information with differentiated product to various segments of the marketplace. In order to implement customized message to consumers, one should build a well-informed consumer database through modern methods such UPC scanning equipment, relational database, and audience measurement.

Relationship strategies for industrial marketing are of great significance, as they have several important implications. Many people are involved in the various stages of purchasing decision making, and these organizational buyers and sellers are technically well-informed. Extensive negotiations are taking place when the business transactions are made between business buyers and sellers. A large quantity of goods and services are bought and sold in the industrial markets through more direct channel of distribution. Because organizational buyers value quality in product and service, the quality in product and service in particular must be provided by the industrial producers and sellers. Reliable on-time delivery is important, as the industrial buyers should maintain adequate inventory with minimum level of cost.

Because of complex and delicate relationship between industrial buyers and sellers, reverse marketing has been taken place in many areas of marketing transactions. This may be a good example of both human relationship and technological alliance. In another words, industrial producers and sellers must be aware of what the industrial buyers demand, and vice verse.

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EVOLUTION OF A VIRTUAL ENTERPRISE: A SOCIOLOGICAL PERSPECTIVE

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ABSTRACT

The concept of loosely bound but highly coordinated entities is revolutionizing the way business leaders and researchers think and behave. We examine these virtual enterprises and propose a model to explain what sociological factors perpetuate the formation and success of a network of small and medium sized manufacturers.

INTRODUCTION

Vertical disaggregation, outsourcing, and large scale downsizing have altered the face of 20th century organizations (Achrol 1997). The resulting effect is that a dramatic focus on long term relationships with trusted partners has occurred out of necessity. The transition toward relationship marketing has been drastic enough for Kotler (1991) to label it a "paradigm shift." Similarly, Nurin (1995) stated that the discipline is on "the verge of one of the most revolutionary changes in this century."

As a result of this relationship networking change, there has been a recent response in academic research and theorizing about the formation and maintenance of interfirm relationships. In particular, the concept of market-driven, multi-firm entities is revolutionizing the way business leaders and researchers operate and think. Instead of the single firm competing independently in a hostile environment, collections of firms (often former competitors) competing together as a loosely coupled network are arising. These clusters of firms have been found to be successful forms of interfirm organizations (Mathews 1992) and are viewed as being more appropriate to today's dynamic environment (Miles and Snow 1992). Likewise, they will be vital in the future that is predicted to be very turbulent (Achrol 1997). As Morgan and Hunt (1994) note, to be effective competitors, firms must learn to be effective cooperators. With this support, it seems fitting to explore relationship models that posit sociological constructs involved in virtual enterprises.

VIRTUAL ENTERPRISE

A virtual enterprise (VE) is an interorganizational network arrangement established with an objective of efficiently and quickly delivering the lowest-cost, highest-value product the entire value chain can produce (Flaig 1992). Partners in a VE do not focus solely on minimizing costs and maximizing efficiency of their individual company operations, but instead, rely on each others' expertise and resources. Through cooperative efforts they manage the aggregate value chain to deliver to the final customer. An outstanding feature of VEs is that the partners are loosely coupled, but virtually integrated through reciprocal exchanges, information and expertise sharing, and collaborative management. In addition to efficiency and better use of resources, other benefits of virtual enterprises include competitive advantages such as speed, flexibility, innovation, and improved services to customers (Davidow and Malone 1992).

Despite these beguiling outcomes, virtual enterprises are not panaceas. First of all, much is still unknown about these networks. Why then are organizations, concerned with their own survival and growth willing to establish cooperative network arrangements? What are the antecedents that promote participation among members of a network enterprise? What sociological factors play a significant role in the success of virtual enterprises? Answers to these questions form the theoretical and conceptual background of the model proposed and analyzed in this paper.

THEORY AND PROPOSITIONS

Figure 1 represents a casual model and hypothesized relationships between sociological constructs to explain the evolution of a cooperative VE. Broadly, the model can be viewed as antecedents and outcomes. This article proposes that the successful evolution of a multi-firm, cooperative VE is reflected in: 1) the level social interaction between other network

members and the responding firm, 2) the social involvement of respondents, and 3) the type of organizational culture prevalent in the responding firms. The proposed model suggests that certain characteristics facilitate participation in a network of loosely bound firms. Successful exchanges build the foundation for positively valued outcomes (i.e., performance and satisfaction). Commitment attitudes ultimately emerge from the relationship.

Organizational Culture:

Organizational culture is “a set of shared assumptions and understandings about organizational functioning. It refers to the history and norms and values that members believe underlie climate (the ‘why do things happen the way they do’) and the meanings organizational members share about the organization’s imperative” (Deshpande and Webster 1989). The four culture types are labeled market, hierarchy, clan, and adhocracy.

With the market approach, the culture emphasizes competitiveness and goal achievement. A situation similar to that described by Adam Smith’s invisible hand is found with this approach. The rules of competition dictate decisions and encourage managers to either continue their typical behavior or change it to adapt and survive. Because virtual enterprise firms are free to leave the network, the virtual enterprise suits a market culture particularly well.

The hierarchical approach combines strong, top-down control and clearly defined roles with measures of performance. This method works well when a clear action-outcome relationship exists is common in stable environments. In rapidly changing arenas of competition, and is criticized for its rigidity and bureaucratic sluggishness. Because the hierarchy culture stresses order, rules and regulations, joining a loose knit collection of independent small firms would typically be unacceptable. While order is often difficult to achieve in intrafirm matters, it would be nearly impossible to achieve the goal in interfirm matters: too many idiosyncratic variables enter in. Therefore, we posit that firms with hierarchy cultures would be least likely to enter into relationships.

In clan cultures (Ouchi 1979) broader values and normative patterns guide behavior within a firm. The key measure of effectiveness is organizational cohesiveness over financial or market share objectives (Deshpande, Farley, and Webster 1993). While networks of smaller independent firms would likely benefit from a global cohesiveness, cohesiveness to each firm’s culture could prove detrimental. In sum, if a network was made up solely of clan cultures, it would be incapable of working as a virtual enterprise. We therefore posit that clan cultures will recognize their incompatibility to the network structure and participate willingly only more than hierarchy cultures.

An adhocracy culture emphasizes value of entrepreneurship creativity and adaptability. Flexibility and tolerance are important beliefs. Network membership is characterized by flexibility. Partners work cooperatively with multiple, long-term constituents to achieve a VE’s goal. Members of the network represent new customers to firms contemplating joining a VE. Therefore, we believe that firms with an adhocracy culture will more willingly participate in a network than will firms with clan or hierarchy cultures.

- Proposition 1: Participation in a network relationship is more likely in the following rank order from highest to lowest: hierarchical culture, market culture, clan culture, adhocracy culture.

Social Interaction:

Blau (1964) defines two types of exchange: economic and social. The objective of economic exchange is to capture financial resources. In contrast, in social exchanges the objective often is to achieve additional social interaction (Daly 1997). Personal interaction bonds that are formed have the potential to encourage decision-makers to transcend their organizationally scripted roles to adapt. This affective bond provides a dual base-personal and professional- handling of relationship/network problems. This enhanced coupling should result in greater degrees of firm participation.

- Proposition 2: Greater social interaction of individuals will increase probability of a firm’s participation in the relationship.

Social Involvement:

The level of social involvement represents the self-reported degree of active social participation in which an individual partakes. Membership with civic organizations (e.g., professional societies, fraternal groups, etc.) indicate the construct. Although firms are displayed with organizational charts neatly connecting functional units, businesses are made up of individual people. While organization culture often accounts for much variance in a firm's behavior, firms are first made up of individuals and these individuals continue to express cognitive sovereignty. Therefore attitudes and behaviors of individuals can be expected to influence a firm's actions. Individuals active in social organizations outside the firm have a greater likelihood to carry a social involvement attitude into the firm's decision-making process. We posit that socially involved persons will more likely be willing to participate (and influence their firm to participate) in a virtual enterprise.

Proposition 3: Greater social involvement of individuals will increase probability of a firm's participation in a network relationship.

Relationship Between Participation and Performance:

The behavioral consequence of high social involvement, high social interaction, and appropriate organization culture is posited to lead to greater participation in a VE. Participation is dummy coded where the firm is either categorized as (1) having taken part in a network alliance or, (0) choosing to not take part in a network alliance.

Consistent with Bucklin and Sengupta (1993), our study defines performance as the extent to which both partners perceive that their relationship has been effective in realizing performance objectives. According to Kalwani and Narayandas (1995), longer term horizontal relationships between firm have resulted in such desirable outcomes as higher growth rate in sale and increased profitability. These gains were stimulated by the lower selling and administrative expenses of closer relationships with fewer customers. Closer relationships not only propagated greater manufacturing efficiencies, but also a better understanding of partners' needs.

Proposition 4: Participation in a loosely bound (firms are free to leave if they desire) network leads to higher performance than does nonparticipation.

From Performance to Satisfaction:

Satisfaction is defined as the degree to which being in an exchange relationship is viewed positively (Bean 1980). Satisfaction as an affective element is based on the notion that perceived performance is a function of how well the relationship achieves the performance expectations set by the partners (Mohr and Spekman 1994; Anderson and Narus 1990). Successful performance can generate both economic and noneconomic rewards. If these rewards have a positive valence, satisfaction should result. An exchange relationship that generates satisfaction exists when performance expectations have been achieved.

Proposition 5: Greater perceived performance will lead to greater satisfaction in the relationship.

From Satisfaction to Commitment:

As the discipline adopts a relational perspective, the concept of commitment is becoming a focal point of explanation (Gundlach, Achrol, and Mentzer 1995). In fact, commitment is the most common variable used in relationship studies (Wilson 1995). As Salancik (1977) noted "the important task is to ask how [commitment] comes about and how it can best be managed to the advantage of the individual and the company" (p. 63). Dwyer, Schurr, and Oh (1987) state that commitment is an "implicit or explicit pledge or relational continuity between exchange partners."

Figure 1 postulates that the effect of performance on relational commitment is mediated through satisfaction. Satisfaction from a successful performance will invite partners to replicate the exchange in order to achieve satisfaction again. In sum, if a firm is satisfied with the relational outcome, commitment to that relationship should result.

Proposition 6: Greater perceived satisfaction will lead to greater commitment in the relationship.

IMPLICATIONS

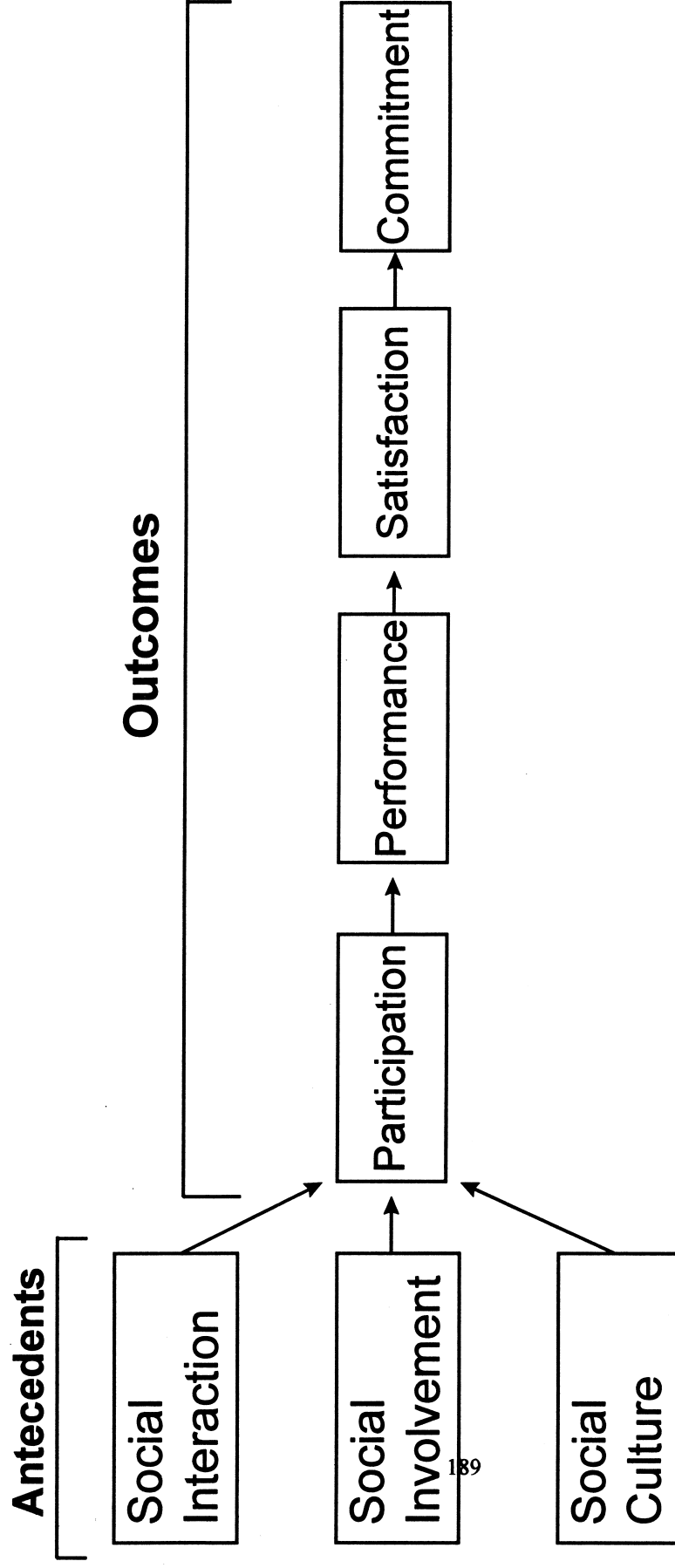
Because of the rapid pace of technological change, and the high investment in more specialized equipment, the phenomenon of virtual enterprise is expected to grow rapidly. The ability to identify characteristics that contribute to successful alliances cannot be overstated. There has been a call to understand the emerging relational paradigm and this model offers a framework from which to research key social factors of participants. Testing the model is the next step in this research stream. Firm's participating in active networks need to be researched and our proposed model would be an appropriate tool with which to begin. As a science, it is in our best interest to recognize and utilize theoretical contenders from other disciplines. The model we propose here is just a beginning.

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Figure 1.



ACTORS' EXCHANGE PARADIGMS AND THEIR IMPACT ON THE CHOICE OF MARKETING MODELS

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ABSTRACT

Academics belonging to the IMP group and the service school of marketing initially launched the ongoing debate on whether the traditional "marketing mix" or "4 P's" model is outdated, incomplete, insufficient and/or limited. Most of these authors conclude that the 4 P's model (even with a relationship dimension added to it) is inadequate and contend that the discipline needs some kind of "post marketing mix" model. Some recommend as a solution a "paradigmatic shift in marketing," from transaction marketing towards relationship marketing. In other words, to move the domain of marketing from exchange transactions to exchange relationships. Others suggest building a "marketing continuum" in which both types of exchanges co-exist. In this continuum, however, each type of exchange is restricted either to a particular product/service category, to specific types of customers, or to certain characteristics that are assumed to be intrinsically related to either of them (atomistic, frequency, etc.).

The shift and the categorization approaches are correct, in so far that the marketing mix model is too limited to deal with all exchange situations. However, several studies show that in many markets, the process that actually takes place is one of coexistence of various exchange situations rather than the application of one or the other. This would emphasize the role of actors and their perceptions during their choice of exchange paradigm, vis-a-vis the context and/or product service and/or type of client served.

As Hunt (1990) stated, "all theory and research efforts have underlying philosophical foundations...much marketing research seems implicitly to assume a realistic perspective [which seeks]...to improve *our perceptual* processes, separate illusion from reality, and thereby generate the most accurate possible description and understanding of the *world* (italics added)." Both the shift and spectrum approaches set the emphasis on the world (in the former case, changes occurring in the marketplace structure, and in the latter, characteristics of the product/service) and neglect the role that the actors (buyers and sellers) and their perceptions play in interpreting the environment.

In this paper I do not adopt any school of relativism perspective, which would lead to a nihilistic position. Instead, I point out that the previous solutions overemphasize the "concrete" side of the equation. I also argue that the actors' conceptual frameworks (theories, paradigms, world views) affect the exchange process. Thus, in this paper, I propose that firms need to analyze the value perception each actor seeks or offers of the exchange process and how that perception relates to each actor's choice of the exchange paradigm. I also recommend a shift of the center of analyses from exchange relationships or transactions to exchange situations that result from the actors' exchange paradigms. Thus, I take a dyadic perspective.

My central objective in this paper is to propose a "classification schemata" based on the actors' exchange paradigms that can serve as a road map to guide the theoretical efforts of others. Accordingly, I contend that exchange situations can be of a transaction, relationship, or hybrid nature. Only when the marketing manager knows the exchange situation, can he or she define the appropriate marketing model that allows the selling firm to serve its clients better. I also seek to show those exchange paradigms and consequently exchange situations are not market specific. On the contrary, in most industrial, consumer or service markets both paradigms co-exist.

I begin this paper examining the current exchange paradigms. Second, I analyze the aspects that influence the actor's choice of exchange paradigm, specifically, the evolution of the interaction between context and the actor's interpreting model of the environment. Next, I explore the theme of value perception and try to understand how actors' different need structures and offer structures lead to their choice of different exchange paradigms. Finally, I define the four exchange situations.

THE PERFORMANCE OF STRATEGIC ALLIANCES REVISITED: A CONCEPTUAL FRAMEWORK USING THE MARKET MODEL

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ABSTRACT

We propose a conceptual framework that uses the market model to evaluate the performance of strategic alliances. Even though application of the framework is limited to venture partners whose stocks are publicly traded, its use offers several insights and advantages. The framework also offers the opportunity to analyze the impact of strategic alliances on the degree of riskiness of the venture partners.

INTRODUCTION

The use of strategic alliances as a means to introduce new products and expand into new countries is on the increase as several new economies emerge. Some advantages the strategy include, the pooling of financial, technological, and marketing resources as well as diversifying or decreasing risk (Kogut 1991).

Also, on the increase is academic research on the use of strategic alliances (see Harrigan 1988). These research efforts can be classified into two streams. The first focuses on the factors which contribute to the success of joint ventures. For example Brouters, *et al* (1995), suggested use of the four Cs (complementary skills, cooperative cultures, compatible goals, and commensurate levels of risk) as a mode of entry to ensure the success of international ventures. Luo (1995), however, suggested that a venture success is dependent on such factors as product quality, and flexible terms.

The second stream of research focuses on the performance of strategic alliances. Again, several researchers used different criteria to measure success. Cartwright, *et al* (1989), measured success in terms of the subjective assessment of venture sponsors. Harrigan (1988) determined a venture's success using venture survival, longevity or duration, and the sponsors' assessment of success. However, Bettis (1981) used return on assets (ROA).

Problems With Current Success Measurements

A major problem with the current measures is their propensity to yield different outcomes even when applied to the same alliance. On this, Schaan (1988) observed that "Joint ventures can be deemed successful in spite of poor financial performance, and conversely they can be considered unsuccessful in spite of good financial performance." While the use of different success measures is not bad, the objectives of some of the alliances render some of them inappropriate. For example, it is inappropriate to use the duration of a venture to measure the success of the alliance between the nine traditional computer arch-rivals which in spite of their rivalry worked together to develop the Extended Industry Standard Architecture (EISA) and then disband.

Using the extent to which the objectives of a partnership have been accomplished as a measure of success overcomes some of the problems in using venture duration; however, other problems remain. For example, the use of goal achievement fails to capture such other dimensions as the risks associated with the venture, the extent to which they are shared, and the extent to which payoffs are also divided. Furthermore, the different hierarchies of management as well as the different partners could have different perceptions of the extent to which the venture goals have been achieved, thus subjectivity and source bias remain.

Using ROA overcomes the subjectivity problem. However, the fact that different firms treat such accounting issues as one-time losses and depreciation differently could create problems.

INTRODUCTION TO A CONCEPTUAL FRAMEWORK

It is interesting that none of the success measures to the best of our knowledge incorporates the investors' perspective, similar to the one used in evaluating performance in the security markets. However, several new developments in the area of strategic alliances make extension of the market model to evaluate the performance of these alliances possible.

First, the increasing interrelation of the world's economies has enabled many successful international firms to be listed on one of the organized trading markets in the United States. Hence, an argument can be made that the same market forces which monitor the U. S. markets do monitor the world's market as well.

Second, computerized data bases such as the CRSP and COMPUSTAT tapes which contain financial information on several U.S. firms do contain such information on several "foreign-owned" firms as well, making such data readily available. Third, the emergence of organized security markets in several new economies around the world allows a much easier access to firm-specific information in other regions around the world.

The stockholders in the international markets, as in the U. S., are pretty active. Because the security markets are a means through which shares are purchased and sold by the stockholders, the market participants use it as a vehicle to monitor firms.

We argue that this monitoring role makes the market model a good candidate to evaluate the performance of strategic alliances. Thus, the objective of this paper is to propose a framework that uses the market model as an additional, albeit, a more objective tool to evaluate the performance of strategic alliances.

CONCEPTUAL FRAMEWORK

Underlying the market model is the fact that activities in the markets are closely monitored by professional analysts/investors. These market participants form a consensus on the merits/demerits of strategic alliances. These consensus, through the market mechanism, are translated into the prevailing stock prices. The stock prices of venture partners will be favorably reassessed if the market's analyses of the advantages of a venture outweigh the disadvantages. The opposite is also true.

Unlike some of the current performance measures that can be used only after the alliances have been implemented, the market can evaluate projects yet to be undertaken and reflect its evaluation in the current market prices which prices are the present value of discounted future income stream. Thus,

$$(1) \quad P_{i,t} = \sum_{T=1}^{\infty} \frac{d_{i,t+T}}{(1+r_{i,t+T})^T}$$

where

$P_{i,t}$ = the current price of assets

$d_{i,t+T}$ = the expected future stream of cash flow in period $t+T$,

and

$r_{i,t+T}$ = the discount rate in period $t+T$.

The essential part of the efficient market hypothesis is the information that is available in the market, not an actual activity per se, and the returns on any asset in the market is linearly related; such that

$$(2) \quad R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t}$$

where

$R_{i,t}$ = random return on asset i

α_i and β_i are parameters,

$R_{m,t}$ = the market portfolio,

and $\varepsilon_{i,t}$ is residual such that $E(\varepsilon_{i,t}) = 0$.

$$(3) \quad E(\varepsilon_{i,t} | \Phi_{t-1}, R_{m,t}) = 0.0$$

Equation 3 allows us to test the market's response to news on strategic alliances. A positive cumulative abnormal returns means that $E(\varepsilon_{i,t}) \neq 0$, and $CAR > 0$ indicates a positive consensus. A negative cumulative abnormal returns ($CAR < 0$) indicates

a negative consensus. By constructing equation 2 for every firm that takes part in the joint venture, we can calculate the returns on their assets (See Brown and Warner 1985). We can similarly compute their degree of riskiness using equation 2.

PROPOSITIONS

The use of these techniques affords us the opportunity to answer several important questions on strategic alliances. For example, does every participant of an alliance benefit? And do strategic alliances ventures really lead to risk diversification?

The question of benefit to venture participants is important since strategic alliances are supposed to be symbiotic. It is not uncommon, however, to find unsavory mind-sets beneath these "win-win" arrangements. Brouthers, *et al* (1995), observed that a partner may perceive a venture with such an attitude as "They're not going to get as much from us as we are going to get from them" or "We'll provide the know-how, all we need from them is the capital."

Because these kinds of selfish motives, we argue that the market's assessment of ventures which uses publicly available information including, but not limited to, the history, and the capability of the firms is more objective than the subjective managerial assessments. Thus,

P1: The market's evaluation of a strategic alliance will be reflected in stock prices when news of the venture is made public.

Even though it is well known that different partners bring into an alliance different levels of resources, and therefore different degrees of riskiness, the traditional means of evaluating the performance and/or success of strategic alliances do not take these factors into consideration. The market returns are, however, compensations for risks borne, the higher the risks, the higher the expected compensation. Thus,

P2: The magnitude of the market's reaction will be different for each venture partner.

The riskiness of a firm changes as it expands its operations. Even though many argue that firms diversify their operations to lower risks, it is possible that a firm may increase its risk by diversifying into a venture perceived by the market to be risky. The complexity of this issue is reflected in the differing positions taken by different researchers of strategic alliances. Bettis (1981), and Bettis, *et al* (1982), suggested that joint ventures in which the resulting entity is related to the venture firms in a horizontal manner perform better. Michel, *et al* (1984), however, suggested that firms that diversify into unrelated areas perform better.

Because the market model gives us the ability to estimate the firm's perceived riskiness, it provides a superior means to evaluate the perceived riskiness associated with an alliance. Thus,

P3: Strategic alliances which result in risk reduction will be evidenced in the lower firm beta. Vice versa.

CONCLUSION

The main advantage of the framework that we propose lies in its ability to overcome such problems as subjectivity and source bias. Furthermore, the fact that the market model allows us to evaluate the impact of a strategic alliance on the levels of riskiness of the venture partners adds an additional dimension to how we evaluate these alliances.

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INTERNATIONAL MARKETING ALLIANCES AND COOPERATIVE GAMES: AN APPLICATION TO THE OIL AND AIRLINE INDUSTRIES

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INTRODUCTION

Using constructs developed by Matthews (1994, 1996, 1997; Matthews and Korolev, 1997), alliances are seen in terms of cooperative games (Fudenberg and Tirole, 1993; Myerson, 1991; Von Neumann and Morgenstern, 1944) and bilateral monopoly (Stigler, 1966; Myerson and Satterthwaite, 1983). The paper is part of an interdisciplinary research programme in complexity, the evolution of industries and firms, statistical mechanics, and games. The theory is applied a marketing alliance between an oil major and an international airline, in a situation of bilateral monopoly, with decreasing costs Spencer (1997). The evolution of firms is seen in terms of coalition behaviour. The alliance described, at an airport in the UK, is a partial merger of selected marketing assets; an *into plane* operation. Managers in the oil company anticipate losses from having to accept of a return below average cost in the *into plane* operation. Losses might be considered as sunk costs (Sutton, 1995), incurred in order to buy the option of enhancing the oil company's share in a second stage of the alliance, when managers anticipate full equity partnership, in a new firm, whose business is the *into plane* operation.

Three aspects are discussed; the dependence of evolutionary paths upon the incentives provided by the distribution of payoffs; the effects of pattern of interdependence; and the influence of changes in the pattern. Findings are based upon in depth interviews with participants in a prospective alliance, and their rivals. A key question examined is how the efficiency of the alliance in realising payoffs is affected by the distribution of payoffs between the players, and the impact of this upon the evolution of the two industries. Results are based on in depth interviews with managers of oil major companies and international airlines in 1996-97. Application of the theory was significant in forming the alliance policy of the oil company.

THEORY

Consider organisations, a^S and a^T made up of a set of S and T activities respectively. Value is added by business units (i) as stand alone entities, a_{ij} ($i=j$), and (ii) by creating synergies, or complementarities, a_{ij} ($i \neq j$). Value added, a^S , is an economic surplus, or rent. If the core requirement is satisfied, slack is eliminated entirely; that is $L = 0$. Viability means that the alliance creates at least as much value as the two firms acting independently; that is there are some synergy gains although $L \geq 0$.

Letting θ_{ST} and θ_{TS} represent decisions to cooperate or not ($\theta_{ST} \theta_{TS} \in 0,1$) by managers in S and T respectively, we derive a Hamiltonian for the gains from the alliance. The components of the Hamiltonian are: i. *type r* benefits are created by one firm, S, (or T, r_{TS}), but only at a cost c_{ST} (or c_{TS}) that is borne by their originator; so they occur only if θ_{ST} or $\theta_{TS} = 1$. ii. *type b* benefits are got only if both parties cooperate; so they occur only if θ_{ST} and $\theta_{TS} = 1$. iii. *type γ* are benefits that a player can generate alone once the agreement is made. Applications to the alliance between the oil and airline companies are illustrated in [Table 1](#).

THE CASE

Petroleum products are manufactured by refining crude oil. Oil companies achieve economies of scope by producing several products, including the refined product, jet, from the input, crude oil. Jet is moved around primarily by pipelines into bulk storage plants, from where it goes by pipeline, rail, or truck to airports. In oil companies, the marketing departments are often responsible for *on airport* operations. Jet is received into airport storage tanks, and in larger airports, the product is run underground by pipeline (a hydrant) to outlets at aircraft stands. Consortia of oil companies generally control storage operations. A trucking operation, which includes the scheduling of trucks and drivers, to meet aircraft refuelling requirements, connects the aircraft to the hydrant, and filters the fuel, under pressure, into aeroplanes. This is

called the *into plane* operation. Both storage and delivery of jet carry high fixed costs. Oil companies seek to exploit economies of scale and scope by maximising the volume put through their installations. Forming alliances with other oil companies, for example, airport consortia, and bulk plant joint ventures enables them to do this, and to achieve falling average costs of production.

A key issue for airlines is security of supply. They will often hedge their risks by purchasing from a number of suppliers, and in most large airports alternatives exist. As fuel is the second or third (depending on the airline) largest cost, after salary and fleet costs, airlines have turned much of their attention to reducing fuel bills. They initially sought to do so by using their monopsony power in negotiation with the oil companies, but did not achieve the level of savings they were seeking via this route: so they also entered the jet fuel supply chain themselves.

The jet cargo market and shipping market are open, and airlines can purchase jet from a refiner, or from intermediaries, such as trading companies, and move it to a shipping port. The issue the airlines then face is getting the fuel from that point, into the airport storage, and from there into aircraft. In most cases the oil companies owned the necessary infrastructure. However over the years, for differing reasons in each country, airlines have been able to break through this. In a number of cases, major airlines are members of airport consortia, and now operate their own truck deliveries on the airports. An international airline at its home base may have in excess of 50% of the total airport jet demand. If it can consolidate this into a single operation, it can use leverage in bargaining to exploit economies of scale and reduce costs.

Thus if an oil company forms an *into plane* alliance with an airline, there is an opportunity to increase the rental of the two companies acting jointly. The airline can offer the oil company cost reductions it seeks by guaranteeing to put high volumes through the alliance. The extra rental can be internalised, and shared between the two companies. The issue then becomes one of deciding how the rental from the alliance is shared. Other *into plane* suppliers who cannot supply their services at such low rates are forced to merge to survive, or exit. Pressure on price, brought about by the formation of *into pool* operations of jet, has caused Esso Benelux to withdraw from airports, and only sell jet *ex refinery*

A joint *into plane* operation creates a high volume pool. Economies of scale result in lower costs, expressed as a unit rate (cents per gallon), compared to those of rivals' *into plane* pools. Thus S can bid the lowest prices and gain *into plane* volume, so gaining a larger share of the revenue in the value chain by delivering to more customers. T has lower *into plane* costs and can bid competitively for passengers, so increasing its share of the revenue in the value chain.

As more business is brought into the pool, the volume produced by competitors declines, and other *into plane* operators are forced to merge to achieve comparable scale economies, or to quit if this cannot be achieved. The market drive is for a single pool (if the S/ T pool delivers for other suppliers), or 2 pools if it does not.

In a bilateral monopoly, the airline T can use its bargaining power to increase its share of the rental from the alliance. Its position is strengthened by the possibility of a second pool. It may actually bid *into plane* prices down, below the oil company's average cost. Oil company managers anticipated this in the short term. Such viable but none core outcomes, giving $L > 0$, are possible, because costs of the *into plane* operation are transparent to the airline as a result of the alliance. The airline can therefore make it difficult for the oil company to allocate fixed costs to the *into plane* pool, using the argument that its partner's economies of scope should absorb those fixed costs, and being able to enforce this position because the alternatives open to the oil company are even starker. The airline makes the oil company *an offer it cannot refuse*, and the best available strategy for the oil company is to play first mover advantage (Schelling, 1960; Kreps and Wilson, 1982; Canning, 1989).

Consider the potential payoffs represented in the decision tree in [Figure 1](#), summarising the thoughts of the managers interviewed. If S chooses N, $\theta_{ST} = 0$ and does not ally, it loses significant market share, and scope economies throughout its value chain. T has alternative supplies available at almost all major international airports. The experience of managers is that, in parallel situations, suppliers have been unwilling to pursue a concerted policy: instead they will probably choose CA. S could respond by either allying as a second move, with payoff c, or not allying (payoff d).

Alternatively, competitor suppliers may choose CN in response to S choosing N. S could then either ally with T, achieving payoff **f**, or stick to N. If S pursued the former, it is considered likely that payoff **f** would equate to payoff **a**. However, the problem is that, a *wait and see* approach is seen as a high risk strategy; by oil company managers, as the airline has still has option **I** if none of the oil companies cooperate.

If T can source the jet fuel at its domestic base, its partner oil company in the *into plane* pool is likely to have the lowest average cost, because it has over 50% of the total airport traffic. If T cannot immediately gain access to the cheapest supply route, it may be willing to pay for a more expensive alternative in the short to medium term, in order to gain the advantages of economies of scale that it can achieve by setting up its own *into plane* operation, **I**.

If S chooses **A**, $\theta_{ST} = 1$, and allies as the first mover, it can influence whether competitors choose **CA** or **CN**, since it is in a position to negotiate contract terms with T. This is a key point. It means that payoffs **a** and **b** are expected to be higher for S (in terms of financial return) than any of the alternatives. Probably **b** provides the optimum payoff: according to one Aviation Manager, *if you are so open that you have to accept everyone, you are put under pressure, to reduce prices further*. Moreover there are decision making diseconomies if there are too many alliance members. Thus, for S, the ordering revealed by managers appeared to be:

b $\geq$ **a**; **a** $>$ **c**, **d**, and **e**; and **a** $\geq$ **f**.

Outcome **a** is preferred given the risks inherent in **f**. First move is an advantage. The choice between **a** and **b** ultimately depends on whether S and T believe there are advantages in retaining competition at the airport, since **a** would tend to a single *into plane* pool at the airport in question. Managers of S see having to include more oil companies in the *into pool* alliance as a disadvantage.

Mutual cooperation in the first stage of the alliance was expected to be an outcome, that not only awarded the major share of viability gains to the airline, but also imposed losses on the oil company. Losses in the first stage, were considered by oil company executives as sunk costs or investments arising from the acceptance of a price below average cost in the *into plane* operation. These were to be incurred in order to buy the option of enhancing their rental in an equity partnership in the second stage. The risk exists that a second stage may not materialise, but the expected value of the option was implicitly judged by the managers interviewed to be preferable to the alternatives to first mover advantage gained by an arrangement to supply low price jet fuel. They see a joint equity partnership (perhaps via an intermediary consortium supplier) as being the likely outcome in the second stage. Since there is slack, $L^* > 0$, an incentive exists to internalise it (Coase, 1960; Williamson, 1985; Hart and Moore, 1990; Hart, 1995). The longer the landscape remains stable the greater the incentive to do so.

The risk is that conditions are so unstable that stage two never materialises, and the oil company suffers long term losses. If things are stable, in the terms described in the paper, a full equity partnership in an *into plane* company becomes a positive sum game. The form integration takes depends upon local circumstances. At some airports oil companies and airlines have formed equity joint ventures (BP and Lufthansa), or joined together, via a third party (BA and Esso). At others, airlines have set up their own *into plane* operation (KLM at Schiphol). Sometimes airlines have contracted out all *into plane* operations to a specialist service provider (the situation in most major USA airports).

CONCLUDING REMARKS

The alliance reflects the emergence of new *into plane* niche, and contrasts with the vertical disintegration that is taking place in the two industries; spinning off baggage handling; contracting out of catering maintenance and engineering. At the firm level, Mobil relinquished its European retail petroleum activity in an alliance with BP, focussing instead upon lubricants. Evolution of firms and industries takes the form of an adaptive walk, forming coalitions in a landscape described by the Hamiltonian underlying [Figure 1](#). The process of optimisation is interrupted by exogenous factors that transform the landscape, making some coalitions redundant, enhancing others, and opening new opportunities. These things are the subjects of other research referred to in the paper. The focus here has been on three aspects of coalitions; the dependence

of evolutionary paths upon the incentives provided by the distribution of payoffs; the effects of pattern of interdependence; and the influence of changes in the pattern.

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	$\theta_{TS} = 1$ airline co-operates	$\theta_{TS} = 0$ airline does not cooperate
$\theta_{ST} = 1$ oil company co-operates	Scale and scope economies, b_{TS} and b_{ST} , from joint decision by the oil company and the airline to cooperate substantial. b_{ST} is enhanced by pecuniary economies: the airline T has considerable bargaining power in the alliance. b_{TS} is low or even negative because the bargaining power of the airline causes the oil company to cross subsidise the alliance from other activities. Other variables are negligible, since most gains can only be got from cooperation.	A decision by T not to cooperate with the oil company eliminates jointly dependent benefits scale and scope economies b_{TS} and b_{ST} . The airline has options of alliances with other oil companies at the airport
$\theta_{ST} = 0$ oil company does not cooperate	The oil company is faced at a particular airport with monopsony buying power by the airline. It is unable to generate any synergy benefits unless it co-operates with the dominant airline at the airport. This outcome is unstable the airline is likely to look for other partners and so the oil company is likely to rethink its position.	This alternative leaves both the airline and the oil company with only their stand alone values. Faced with this response the airline is likely to look for other partners and the oil company is likely to rethink its position.

Table 1: Payoffs in oil and airlines

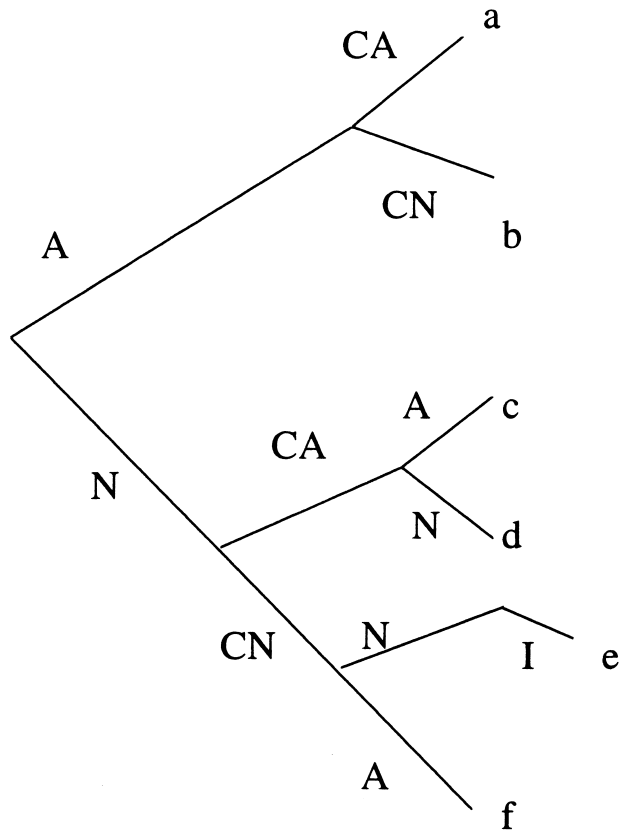


Figure 1: The options for the oil company and airline

EVIDENCE FOR STRATEGIC ALLIANCES AND RELATIONSHIP MARKETING IN NEW ZEALAND INDUSTRY

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ABSTRACT

Strategic alliances offer real benefits for industry. This research examines the extent to which strategic alliances have been adopted by several New Zealand industry groups, and asks the question - "to what extent is this due to relationship marketing?"

INTRODUCTION

Past research on the use of relationship marketing in New Zealand has concluded that there is still a way to go before we can claim that the theory has been fully embraced by industry (Beverland and Bretherton, 1997; Brodie, Coviello, Brookes, and Little, 1997). In regards to strategic alliances we found (Beverland and Bretherton, 1997) that over 60% of the top 200 New Zealand companies had them in place, but the survey instrument did not allow us to identify types of alliances. Research in the New Zealand wine industry highlighted that a strategic alliances can be anything from an active decision role on the board of a company, to a hand shake deal for the supply of grapes (Beverland and Bretherton, 1998). Our purpose in this research was to expand our initial study in examining the extent to which relationship marketing has been adopted by New Zealand companies, by combining various research methods that would enable us to get a richer picture of what was occurring in the market place. Overall we have much more data to support our initial conclusion that relationship marketing is not being adopted wholesale as a theory, but that each piece of the model is being picked up and put into practice at random.

This paper focuses on strategic alliances, which have a long history in marketing research (Varadarajan and Cunningham, 1995). Given this focus, we had three main aims in this paper:

- (1) To analyse the nature of strategic alliances in New Zealand industry, and to identify any factors that affect the formation of strategic alliances.
- (2) To identify whether the formation of strategic alliances in these industries is part of an overall relationship marketing strategy, or is just a pragmatic response to a changing business environment.
- (3) To highlight the future areas that relationship marketers need to focus on.

LITERATURE

Strategic alliances have been included in the overall relationship marketing framework (McKenna, 1991). The reasons for forming alliances are varied, and Varadarajan and Cunningham (1995) have provided the following motivation for their formation: entering new markets; circumventing barriers to entering new international markets; protecting your competitive position in the home market; broaden product line / fill product gaps; enter new-product market domains / gain a foothold in emerging industries; shape industry structure; reduce potential threat of future competition; raise entry barriers; overcome entry barriers; enhance resource efficiency; resource extensions; and, acquire new skills. These authors also classify alliances using three categories: industry scope; geographic scope; and, functional area scope. We did not adopt these classifications when starting the research as we were more interested in seeing what type of classification system would emerge from the data (Glaser and Strauss, 1967). Instead we chose a wider definition of strategic alliances provided by Parkhe:

"[Strategic Alliances are] relatively enduring interfirm co-operative arrangements, involving flows and linkages that use resources and / or governance structures from autonomous organizations, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm (1993: 794).

This definition was used as we believed its scope would capture many of the alliances that traditionally have been formed in New Zealand, and have often been ignored as they may not have been formalised in a written agreement. For our purposes we have decided to study all types of alliance that fall within three of the four broad categories provided by Morgan and Hunt (1994): buyer partnerships; supplier partnerships; and, lateral partnerships. We have not included internal partnerships (Morgan and Hunt, 1994) as a form of strategic alliance, although we do have data on this in our paper. Our focus on internal arrangements is due to our concern that alliances are being adopted as part of an overall relationship marketing program. In our view we believe that internal partnerships are akin to internal marketing. Internal marketing we believe is the crucial aspect of relationship marketing as it represents a firms commitment to the integration of all business functions along relationship marketing lines. For further support on this point we do note that Varadarajan and Cunningham (1995) cite a 1990 Ernst and Young report which identified the *role**** that marketing plays in the formation and monitoring of strategic alliances. They argue that marketing can have a dominant role, a participative one, or an advisory role. We believe this adds further weight to our belief that internal alliances should not be classified as 'alliances' but should be included as internal marketing. The role of marketing as identified by Ernst and Young (1990) in the formation and monitoring of an alliance is just that - a role, regardless of degree, and in all cases marketing is concerned purely with the management of the alliance which may involve the integration of many internal 'markets'. Lastly relationship marketing is a strategic program of management that should (and will need to be) adopted by the whole organisation. This focus would preclude the formation of alliances with functional groups in an organisation, as these groups are already part of the same mission oriented entity (Parkhe, 1993). The following definition of relationship marketing highlights this focus on integration and management:

"[a model] to *identify and establish, maintain and enhance***** relationships with customers and other stakeholders, at a profit, so that the objectives of the partners are met; and this is achieved by a mutual exchange and fulfilment of promises." (Gronroos, 1994:5)

The difference between relationship marketing and a strategic alliance is therefore one of scope. Relationship marketing represents a broad approach to the running of an organisation. A strategic alliance is just one part of this.

Varadarajan and Cunningham (1995) point to several motivating factors in the formation of an alliance. These include a firms internal characteristics, industry characteristics, and environmental characteristics. For our purposes we have limited the focus on internal characteristics to the formalised adoption of a relationship marketing program. We have noted were applicable other internal motivations for their use, but are more interested in the extent of the adoption of relationship marketing in New Zealand. For industry characteristics we have focused on industry specific issues such as the need to develop economies of scale or access distribution networks. Environmental characteristics are more broader than basic industry characteristics and may include such things as government economic and social policy, technological change, the international economic environment, and changes in management ideas.

METHOD

Data for the research was collected over a two month period in early 1997. The initial project was to support previous research we had conducted (Beverland and Bretherton, 1997) on the extent of relationship marketing practices in New Zealand. That research had focused on the top 200 New Zealand companies. The limitation of that study was the lack of any qualitative data that would support the survey research. To counter this we set out to examine the extent of relationship marketing practices along an industry basis, and to utilise a variety of methods to collect the data. The method of data collection, sample size and industry type is shown in [table 1](#).

Data was sorted into two types: qualitative and quantitative. The quantitative data was analysed using a computer statistical package, and the qualitative data was grouped into like themes which emerged from the data (Glaser and Strauss, 1967).

*** Italics ours.

**** Italics ours.

The purpose of this study was to collect a wide sample of qualitative data which would shed some light on our previous research (Beverland and Bretherton, 1997). Therefore, the quantitative information was merely to provide frequencies of certain types of alliance, the motivation for the formation of that alliance, and the role of marketing in the formation and ongoing monitoring of that alliance. The qualitative data was what we were really after, as we wanted to get a richer sense of what was happening in the market place, and then to develop survey instrument that we could use to specifically measure both relationship marketing practices and the use of strategic alliances in New Zealand. The data was sorted firstly on the basis of industry to highlight any industry specific items, and then aggregated to give an overall view of trends in a large sample of New Zealand industry.

FINDINGS AND ANALYSIS.

The findings of this study are presented in tables 2 and 3. Table 2 presents the frequency of strategic alliances found in the industries studied. It also provides some initial details of the form of those alliances. Table 3 provides details on the level of internal support and integration of those functions necessary to support a relationship marketing strategy. Lastly it provides details of the frequency of adoption of relationship marketing as an integrated strategy in a particular industry.

The Nature of Strategic Alliances in New Zealand Industry

Table 2 highlights the strong use of strategic alliances across differing industry types (78% in total). The reasons for the widespread variation (range 12) was due to many industry based factors which will be discussed later. The adoption of a formal relationship marketing plan (see table 3) was less prevalent however and tends to confirm previous research on this issue (Brodie et al, 1997). On an industry by industry basis, strategic alliances in the wine industry are certainly the most varied. They range from setting up a joint marketing center such as Toast Martinborough to a 24 year old hand shake deal to supply grapes. Examples abound of alliances in this industry. This can largely be attributed to the 'closeness' of this industry where many of the players know each other well, share information, and often engage in a mentoring relationship with one another. The emergence of Vintech^{*****} is an example whereby vineyards pool resources to produce a vintage. Links to educational institutes such as Lincoln agricultural university are strong, and long term deals with distributors, consultancy groups, and banks are the norm. In this industry outsourcing contracts make up most of the strategic alliances and may cover anything but the most strategic of functions within the organisation. These contracts are usually long term and are often used to keep costs down. Most of the alliances within this industry can be classified as an attempt to enhance resource efficiency, enter new markets, or as an attempt to broaden the product line (Varadarajan and Cunningham, 1995).

In other industries the use of strategic alliances is high (see table 2). Except for the insurance industry there is no evidence to suggest that the use of strategic alliances is a result of the adoption of a formalised relationship marketing strategy (see table 3). The most common form of alliance in the other industries noted was some form of arrangement with suppliers and distributors, or a supplier - buyer alliance as noted by Varadarajan and Cunningham (1995).

The private health care industry has more extensive links which tend to reflect the fact the health care industry is intertwined with various service providers such as radiology clinics, and the public and private hospitals typically utilise each others resources when the need arises. This is due in part to the large government role in the health care industry that necessitates external links with government agencies, some public hospitals (which are technically competitors), and the specialisation of certain services which require hospitals in this industry to form alliances with other providers. Alliances were also formed with ambulance agencies and suppliers of general services such as catering and cleaning. In regards to the last function - most of these alliances took the form of an outsourcing agreement - a policy which is common in the health care sector as a whole. These alliances are mainly an attempt to broaden the product or service range offered.

^{*****} Vintech is an experimental co-operative production facility which enables small growers to make use of high quality production facilities when they harvest their grapes. This co-operative is funded by all those who use it, and quite often results in the production of a one label wine from the Marlborough region which allows smaller growers to reach larger markets than they otherwise could. The motivating factor here was the achievement of economies of scale.

Few if any of these companies have any links with competitors, which is an outcome of the anti-trust laws covered under the Commerce Act. Exceptions are the airline industry and the private health care industry. The airline industry typically operates a variety of shared flights which helps each airline offer a marginal service to out of the way areas and share costs. This allows these companies to offer more services to the consumer, services which they may not have offered had they been unable to form an alliance. These alliances took the form of a contract with strict performance and quality standards. Alliances were also prevalent between airlines competing in regional sectors in order to reduce operating costs, increase services and to be able to offer more effective airpoints programs. However airlines were unlikely to form alliances with distributors such as travel agents - the reason being is that they did not consider these networks important for building customer relationships.

The interaction between private and public health providers does reflect some form of competitive alliance which have occurred as a result of industry deregulation since 1993. However there is still some way to go before actual market conditions exist in this sector and the impact of relationship marketing, strategic alliances, or indeed any business models is yet to be seen in any great numbers. Overall, the industry data provide evidence that strategic alliances are in heavy use, but are not due to relationship marketing.

Motivating Factors in the Formation of an Alliance

There were various reasons for adopting strategic alliances in the industries studied. In the wine industry strategic alliances developed as a result of the small nature of many vineyards. Economic necessity meant they had to pool resources at vintage time. In the late 1980's the Wine Institute and some major industry innovators were influential in urging the formation of alliances. In the hotel industry the rationale for a strategic alliance with a supplier was hotel location and size. A more specialist hotel in a out of the way area was more likely to enter into an alliance for things like freight and supplies simply to manage costs, as well as to improve quality and insure supply. In almost all cases, hotels had created a specialist position within the hotels to manage this relationship.

The insurance industry had alliances with competitors simply for information sharing requirements. The uncertain nature of this industry, the need for as much information about the integrity of a customer, and the need to establish competitive premiums require information to flow quickly and to the right channels. This does not mean that competitors share information on competitive advantage issues such as pricing, but they do share information on customer integrity, and in some cases pool resources. Lastly, they do form strong alliances with key accounts such as banks, brokers, and underwriters which enables the insurance company to decrease the uncertainty surrounding a risky business and to reach wider markets via in-bank advertising and selling.

In the vehicle retail and import industry the differing economic systems of New Zealand and overseas exporters such as Japan necessitate an alliance between these two groups to help overcome cultural differences. This was limited to the overseas market, with domestic alliances being made up of monetary / loyalty deals between suppliers and dealers. The opposite occurred in the airline industry. Despite the international nature of the industry alliances tended to be formed with local suppliers rather than foreign companies (which tended to be subject to different regulatory laws).

Lastly in the pharmaceutical industry some companies expressed a desire to form alliances with competitors for research reasons, but were unable to do so because of regulations. The regulation involved here is primarily the Commerce Act - New Zealand's anti trust legislation. Bollard (1997) sets out the main sections of this Act, and makes the observation that "A business practice that is good for a business or a group of businesses does not necessarily promote competition and may be anti-competitive." (35) This statement, and the general indefinable nature of the 'crimes' under this Act, and any anti-trust law*****

***** The ideas in economics supporting anti trust laws - such as perfect competition and perfect information have long been dropped by the economics profession, yet continue to impact on the ability of business to offer better services to the public. George Reisman, and Ayn Rand in particular have been vocal in pointing out the destructive results of these policies. They have also pointed out the impossibility of ever complying with these laws which makes Bollards idea of working with an antitrust division seem even more preposterous.

(Reisman, 1996) point to real difficulties for a theory like relationship marketing which stresses alliances within industry. Once again it needs to be pointed out that the essence of any market economy is not competition, but freedom (Reisman, 1996), and that these anti-trust requirements are based on flawed premises which have little to do with encouraging the adoption of best practice to gain better and cheaper products, and everything to do with increasing government power.

The Role of Marketing in the Alliance

The low amount of internal support for relationship marketing functions (38%) mirrors previous findings (Beverland and Bretherton, 1997). Apart from the pharmaceutical and hotel industries, there was relatively little internal integration of relationship marketing functions. The form that this support took was an integration of administration and accounts with marketing and an attempt to break down traditional barriers by using cross functional teams. Other forms of integration typically involved marketing having greater say over budgets or else the development of a specialist role e.g. an accountant assigned to marketing. In hotels there was an absence of a specialist 'customer relationship manager' but there was evidence of a strategic approach to forming relationships. For example, all hotel's focused on pre and post transaction services at a strategic level and did the same for internal marketing, customer service, and quality. Overall this suggests that marketing typically takes an advisory role in the formation and monitoring of an alliance but this varies across industry. Within industry groups there is little variation between the role of marketing and this may warrant further research.

LIMITATIONS AND FUTURE RESEARCH

One of the limitations we found in our study, was that many of the people who had initiated certain relationship marketing strategies had since left the organisation, so there was little or no data to highlight the reasons or motivation for the adoption of this particular strategy. We are interested in this, because this may highlight the influence that relationship marketing literature may have had on that particular individual. For example, while our data does highlight the apparent lack of adoption of an explicit relationship marketing strategy, it may be the case that a human resource manager who adopted a internal marketing program may have been influenced by a relationship marketing course taken in an MBA program, or by another source. For example in the hotel industry we found that many managers were familiar with the term "relationship marketing" but they had wide and varied interpretations of it - such as "the experience of the visitor passed on from employees" to "[the] contact that you have with your special and loyal customers" and lastly, "simply delivering superior service". As you can see, all of these statements contain an element of truth, but do not represent the full richness of what relationship marketing means. It would be interesting to find this out in order to get a better picture as to the influence of relationship marketing in the New Zealand market. Endeavours are being made to find these people and follow up on this.

Also, a main problem with the study, is that even with the expanded collection methods, we still do not really get at the dynamics of relationship marketing in practice. Shapiro (1995) has pointed out that many new management techniques are adopted by companies with little or no understanding of how difficult and involved they are. Consequently many good ideas are dropped after some disappointment due to poor initial results, or after failing to meet the expectations created by their authors. Our fear is that relationship marketing may suffer from the same problem. We would wish that those few companies in our research that expressed an interest in, or actually did have a full relationship marketing program would allow us to study just how the program operates. This would enable us to express the dynamics of the program, highlight areas of difficulty and develop strategies that will overcome these, as well as enable us to expand the model to take into account these difficulties. Again, future research will enable us to do so. Finally the relative newness of many of the alliances did not allow for an evaluation of the effectiveness of the alliance. Some preliminary work that we've done in this area indicates that the results are mixed but that most organisations would enter into an alliance again, but with the benefit of hindsight they would do things a little differently. A follow up study in a years time may be worth doing to discuss the results of an alliance.

CONCLUSION

Despite the lack of evidence that relationship marketing is driving the formation of strategic alliances or that marketers even have an active role in the formation of alliances, there is evidence that strategic alliances are being increasingly used to deliver superior customer service, enter new markets, expand the product range, make better use of resources, and deal with market uncertainty. The motivation for using strategic alliances is more than likely due to particular industry, geographical, or

environmental factors, rather than as a result of the formal adoption of relationship marketing. We argue that based on our current research we should be focusing on encouraging the internal integration of all relationship marketing functions at a strategic level, and studying the effects that industry or environmental characteristics can have in affecting the formation of strategic alliances.

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TABLE 1.

Industry	Sample size	Methods used
NZ Wine	20	In depth interviews Secondary Data Analysis Telephone questionnaires Surveys with interview Mystery shoppers Observation
Vehicle Retailers	10	Telephone questionnaires, Secondary data
Insurance	10	Interviews, Secondary data
Pharmaceutical	8	Interviews, Secondary data
Airline	7	Telephone questionnaire, interviews, secondary data
Hotels	7	Interviews, secondary data
Private health care	5	Interviews, secondary data, telephone questionnaire
Telecommunications	10	Interviews, secondary data
Total	77	

Figures include only those who were sampled. Some companies refused, or were unable to participate in the study. These non-participants were not crucial to the overall result as most sample sizes cover the large players in the industries mentioned above, and in some cases such as the airline industry, or the wine industry the sample sizes is almost equal to the population.

Table 2. Frequency, types, and motivating factors for the formation of strategic alliances in New Zealand industry.

Industry type	Frequency of strategic alliance	Motivation for formation of alliance.	Details
Wine Industry	16	Geographical Industry	Suppliers Tertiary Distributors Competitors
Vehicle retailers / importers	4	Environmental	Loyalty arrangements Suppliers
Insurance	6	Industry	Financial institutions Brokers
Pharmaceuticals	5	Industry Environmental	Distributors Competitors (1) Suppliers (1)

Airlines	7 ^{*****}	Industry Environmental	Suppliers
Hotels	7	Geographical	Tourist industries Suppliers
Private health care	5	Industry Environmental	Doctors Surgeons Suppliers Government Competitors
Telecommunication	10	no-data	no-data^{*****}
Total	60 ^{*****}		

Table 3. Role of marketing in alliances.

Industry	Frequency of relationship marketing^{*****}	Frequency of internal integration of departments	Role of marketing in alliance.
Wine industry	1	1/20	Active
Vehicle retailers	0	0/10	N/A
Insurance	6	7/10	Advisory
Pharmaceutical	0	5/8	Advisory
Airlines	2	2/7	Advisory
Hotels	0	7/7	Active
Private health care	2	3/5	Participative
Telecommunications	4	4/10	no data
Total	15	29/77	

^{*****} This includes only national ground services. There were no formalised strategic alliances with ground service providers overseas. The same goes for relationships with travel agents and wholesaler (distribution).

^{*****} Research in this industry was limited as many participants would not provide details of their strategic alliance, and the research assistants carrying out the questionnaire often failed to explore this issue.

^{*****} We have included data for the telecommunications industry here on the basis that secondary data reveals mention of alliances, but provides no details of the nature of the alliance or an the motivation for forming an alliance.

^{*****} This column identifies the frequency of the organisations in each industry grouping that had formally adopted a relationship marketing program, and had also formed strategic alliances because of this, or brought the management of strategic alliances under the responsibility of the marketing department or relationship manager.

INTERNAL CUSTOMER ORIENTATION: ANTECEDENTS AND CONSEQUENCES

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ABSTRACT

Market orientation contributes to organizational performance but what are the antecedents to superior market orientation. This paper empirically tests and establishes the relationship between internal customer orientation and market orientation. The paper informs on the antecedents to internal customer orientation and market orientation.

INTRODUCTION

Internal Customer Orientation

Recent marketing literature has emphasized the importance of developing a market orientation within an organization (Kohli & Jaworski 1990; Narver & Slater 1990). Underlying this literature is the notion that to develop a market orientation, employees should be encouraged to not only focus on the needs of the end customer but to also recognize other employees as internal customers (Mohr-Jackson 1991). As both suppliers and customers to other employees they must provide high quality products within the firm to ensure the satisfaction of the final customer (Lukas & Maignan 1996).

An internal customer orientation should be part of an organizational culture (Lukas & Maignan 1996), and guide the attitudes and behaviors of organization members to deliver quality to other employees (Lukas & Maignan 1996). Mohr-Jackson (1991) proposed that a customer orientation should include the following activities: “(1) *understanding internal customers’ requirements that affect external customer needs and preferences*, (2) *obtaining information about external customers’ needs and preferences through internal customers*, and (3) *creating additional buyer value by increasing internal customer benefits*” (p. 460).

Berry (1981) acknowledged the importance of employees in dealing with the external customer, recognizing that employees’ satisfaction and support of the overall marketing strategy was essential for external customer satisfaction. This link between internal customer satisfaction and external customer satisfaction has since been widely advocated (George 1990) but with little supporting empirical evidence

Market Orientation

Narver and Slater (1990) define market orientation as “*the organization culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business*” (p. 21). This desire drives an organization to create and maintain a culture that will produce the necessary market oriented behavior from employees (Narver & Slater 1990).

Narver and Slater’s (1990) model of market orientation consists of three behavioral constituents; customer orientation, competitor orientation and inter-functional coordination. This model has been found to be the most robust measure of market orientation, both in terms of its application by other researchers and according to confirmatory factor analysis (Matear, Boshoff, Gray & Matheson 1997).

The benefits of a market orientation can be theoretically supported, as market orientation provides a unifying focus and clear vision to an organization’s strategy (Kohli & Jaworski 1990). As internal customer orientation is a critical part of an organizational culture (Lukas & Maignan 1996) it would provide similar benefits. These similarities provide an implicit link between market orientation and internal customer orientation that is often assumed in the literature (Lukas & Maignan 1996), but yet to be empirically verified. Hence:

H1: Internal customer orientation has a significant and positive relationship with market orientation.

ANTECEDENTS TO AN INTERNAL CUSTOMER ORIENTATION

By defining internal marketing as a management philosophy that provides a framework for managing employees toward a market orientation (Gronroos 1990), recent literature suggests it be considered an antecedent to internal customer orientation and market orientation. For the purposes of this paper typical internal marketing processes have been identified and classified to reflect those categories proposed by Gronroos (1990); market training and education, management support, internal communication, and human resource management. Particular organizational dynamics should be encouraged to assure the development of an internal customer orientation and a market orientation. Jaworski and Kohli (1993) illustrate that interdepartmental connectedness and interdepartmental conflict are antecedents to market orientation, and suggest that organizational commitment may also be. The empirical relationship between intelligence generation and intelligence dissemination (Kohli and Jaworski 1990) and customer and competitor orientation (Narver and Slater 1990) is unclear and should be investigated further. It is important to look at each of these variables to examine their contribution to an internal customer orientation.

Market Training and Education

On-going education and training can foster the required skills and favorable attitudes required to develop a market orientation (Mohr-Jackson 1991; Ruekert 1992). If employees feel they receive adequate training for their jobs, they perceived a more favorable customer service climate (Lux, Jex & Hansen 1996). Training can also assist employees in developing a holistic view of how a service strategy works and an understanding of the role of each individual in relation to other individuals, functions within the firm and customers (Gronroos 1990). It is therefore proposed that training can be utilized to develop both an internal customer orientation and a market orientation within an organization.

H2a: Employee market training and education has a significant and positive relationship with internal customer orientation.

H2b: Employees market training and education has a significant and positive relationship with market orientation.

Management Support

Recent literature has seen the role of senior management emerge as an essential prerequisite to fostering both an internal customer orientation and a market orientation (Gronroos 1990; Jaworski & Kohli 1993). Organizational leaders are role models and as such their everyday actions must demonstrate their dedication to internal customers (Lukas & Maignan 1996) and external customers (Jaworski & Kohli 1993). It can therefore be hypothesized that the greater management support for an internal customer orientation and a market orientation, the more visible they will be throughout the organization.

H3a: Management support to employees has a significant and positive relationship with internal customer orientation.

H3b: Management support to employees has a significant and positive relationship with market orientation.

Internal Communication

Employees need information to be able to perform their tasks as service providers to internal and external customers (Gronroos 1990). They need to communicate their own requirements (internal customer orientation) as well as their findings regarding external customer needs (Gronroos 1990). It can therefore be hypothesized that effective internal communication will improve the internal customer orientation and market orientation.

H4a: Internal communication has a significant and positive relationship with internal customer orientation.

H4b: Internal communication has a significant and positive relationship with market orientation.

Human Resource Management

The design and implementation of human resource policies can improve the market orientation of an organization (Gronroos 1990). Previous research has illustrated that reward can provide the motivation for employees to adopt new behaviors and attitudes consistent with a market orientation (Hauser et al. 1996). If internal customer values are required then the incentives should reward any effort aimed at providing internal customers with the best possible quality (Hauser et al. 1996).

H5a: Human resource practices have a significant and positive relationship with internal customer orientation.

H5b: Human resource practices have a significant and positive relationship with market orientation.

Organizational Commitment

Organizations with high levels of market orientation have been found to elicit greater organizational commitment from their employees (Jaworski & Kohli 1993). However, it could be proposed that employees with a greater commitment to the organization are more likely to adopt the organization's objectives and values as their own, including internal customer orientation and market orientation. Hence:

H6a: The commitment of employees to the organization has a significant and positive relationship with internal customer orientation.

H6b: The commitment of employees to the organization has a significant and positive relationship with market orientation.

Intelligence Generation

For an organization to exhibit a customer orientation and a competitor orientation, one or more departments within the organization must undertake activities to identify the needs and preferences of customers and competitors (Kohli & Jaworski 1990). Intelligence Generation can be distinguished from the other constructs examined as it is externally focused (Jaworski & Kohli 1993) and therefore no relationship with internal customer orientation has been hypothesized.

H7: Intelligence generation has a significant and positive relationship with market orientation.

Intelligence Dissemination

To facilitate a market orientation, market intelligence should be disseminated across and within all departments (Kohli & Jaworski 1990). This ensures that all personnel have access to appropriate information to anticipate and respond to current customer needs (Kohli & Jaworski 1990). This will facilitate an internal customer orientation as well as ensuring departments coordinate their activities to satisfy external customer needs.

H8a: Intelligence dissemination has a significant and positive relationship with internal customer orientation.

H8b: Intelligence dissemination has a significant and positive relationship with market orientation.

Interdepartmental Connectedness

In order for information regarding customer needs to be shared across departments and a coordinated response to result, there needs to be a degree of formal and informal direct contact among the employees (Kohli & Jaworski 1990). It is proposed that this relationship is also critical for the development of an internal customer orientation.

H9a: Interdepartmental integration has a significant and positive relationship with internal customer orientation.

H9b: Interdepartmental integration has a significant and positive relationship with market orientation.

Interdepartmental Conflict

Individuals in organizations in which tension prevails across departments are less likely to be willing to share information on customer requirements or to work in concert to satisfy these needs and expectations (Jaworski & Kohli 1993). It can be proposed that this relationship will be equally relevant for internal customer requirements as it is for external customer requirements.

H10a: Interdepartmental conflict has a significant and negative relationship with internal customer orientation.

H10b: Interdepartmental conflict has a significant and negative relationship with market orientation.

METHODOLOGY

The sample for this study was derived from three Australian-based organizations. These organizations were among the top performers in their respective industries; Automotive, Insurance, and Personal and Other Services (Business Review Weekly 1996). Questionnaires were randomly distributed to employees of different management levels and from various departments

within these organizations, in a way that preserved the proportions within the organizations. A total of 650 questionnaires were distributed (200, 250 and 200 respectively). In total, 368 responses were returned; hence a response rate of 57% was obtained.

The majority of scales used in this study were based on existing scales, however, they were adapted to suit the sample which included general employees. All measures were on a 7-point Likert scale. The reliability of the scales were found to satisfactorily meet Nunally's (1978) recommendations, as the Cronbach alphas exceeded 0.7 for all of the constructs. Confirmatory factor analysis was performed and all the items were significantly loading on the appropriate constructs.

A path analysis using LISREL was used to identify the magnitude of direct effects on market orientation and internal customer orientation and indirect effects on market orientation through internal customer orientation. This analytical tool has been used by previous researchers for decomposing effects into direct and indirect (causal) effects and eliminating non-causal (spurious) effects (Joreskog & Sorbom 1989). The ratio of direct and indirect effects was calculated by dividing the indirect effects by the direct effects. This ratio highlights those variables that may not have significant direct effects but have empirically important indirect effects (Keeley and Roure 1990).

RESULTS

Table 1 and Figure 1 report the gamma coefficients, beta coefficients and corresponding t-values resulting from the path analysis. Importantly, strong support was found for the necessity of an internal customer orientation. H1 was supported suggesting that the greater the internal customer orientation, the greater the market orientation of the organization. The strength of this relationship ensured that the measures found to have significant direct effects on internal customer orientation also had an indirect effect on market orientation through this internal customer orientation variable; hence, improving the total effect on market orientation.

Market training and education was not found to have any significant effects on either internal customer orientation or market orientation; H2a and H2b were not supported. It is interesting to note that the indirect effects on market orientation are twenty-five times as important as the direct effects. Management support was found to have a direct effect on market orientation, although support was only evident at a 10% significance level. However, the total effects of management support on market orientation were not significant as the relationship between management support and internal customer orientation was negative. Therefore, no support was provided for H3a or H3b. Strong support was found for H4a, suggesting that internal communication has a direct effect on internal customer orientation. Despite having a significant, positive indirect effect on market orientation, the total effect was not significant as it was negated by a significant negative direct effect on market orientation. Therefore, no support was found for H4b. Support was found for H5a and H5b, suggesting that human resource policies influence both internal customer orientation and market orientation. Although human resource policies do not have a direct effect on market orientation, the indirect effects are of a magnitude to ensure the aggregate total effects on market orientation are significant. Organizational commitment was found to have an effect on market orientation, as support was provided for H6a. However, no support was provided for H6b, implying that organizational commitment does not significantly influence internal customer orientation. The relationship between intelligence generation and market orientation was found to be positive and significant, providing support for H7. Support was provided for both H8a and H8b, encouraging the notion that intelligence dissemination is important for both an internal customer orientation and a market orientation. The magnitude of the direct effect of interdepartmental connectedness on internal customer orientation and the resultant indirect effects on market orientation, provided support for both H9a and H9b. An analysis of the ratio of the indirect effects to the direct effects illustrated the importance of an internal customer orientation. Interdepartmental conflict was found to have a negative influence on both internal customer orientation and market orientation, as support was provided for H10a and H10b.

DISCUSSION

The primary purpose of this study was to explore the relationship between internal customer orientation and market orientation. The strength of the relationship found between these orientations indicates that an internal customer orientation is critical for the development of a market orientation. Not only does internal customer orientation have a direct effect on market orientation, but it enhances the relationships between various antecedents and market orientation.

The results of this study suggest that managers should attempt to minimize interdepartmental conflict and encourage cooperation and e and information sharing. Market training and education must be examined for its effectiveness in developing and enhancing an internal customer orientation and a market orientation. Managers must recognize the importance of internal customer

orientation to enhance overall market orientation. Internal communication is the strongest antecedent to an internal customer orientation, so although it has a negative direct effect on market orientation, its importance should not be overlooked. However, an internal focus at the expense of, or as a substitute for, understanding the external customer would be disastrous.

The support found for the relationship between internal customer orientation and market orientation gives credence to past literature that has assumed this relationship, and hence this study contributes to the academic literature in this domain. The integrative nature of path modeling is statistically rigorous and allows the contributions of several prior researchers to be combined in a holistic perspective.

Limitations and Suggestions for Future Research

The results of this study may be influenced by the fact that the respondents came from three organizations. However, this design was considered the most effective way to understand internal customer orientation. Naturally, other variables could be added to the model to obtain further insights.

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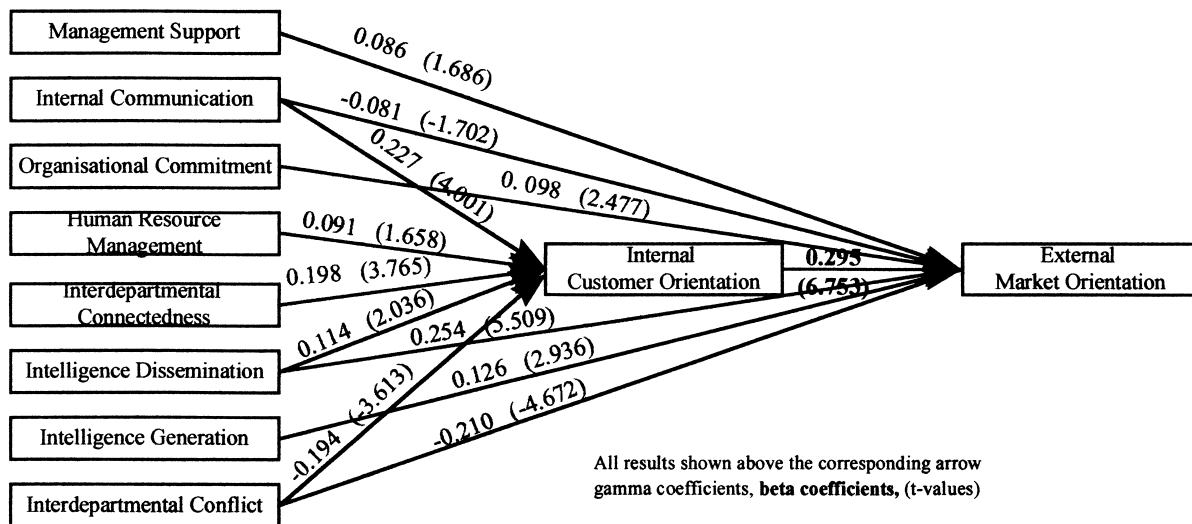
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TABLE 1 RESULTS OF LISREL PATH ANALYSIS

	Direct Effects				Indirect Effects		Total Effects		Ratio
	Internal customer orientation		Market orientation		Effect on external through internal		External market orientation		Indirect / Direct
	γ -coeff [†]	t-value	γ -coeff	t-value	γ -coeff	t-value	γ -coeff	t-value	
Market Education and Training	0.084	1.484	0.001	0.022	0.025	1.471	0.026	0.531	25.000
Management Support	-0.021	-0.339	0.086	1.686†	-0.006	-0.333	0.080	1.481	-0.070
Internal Communication	0.227	4.001*	-0.081	-1.702†	0.067	3.526*	-0.014	-0.280	-0.827
Human Resource Management	0.091	1.658†	0.069	1.518	0.027	1.588	0.096	2.000*	0.391
Organizational Commitment	0.020	0.422	0.098	2.477*	0.006	0.429	0.104	2.476*	0.061
Intelligence Generation	0.010	0.200	0.126	2.936*	0.003	0.200	0.129	2.867*	0.024
Intelligence Dissemination	0.114	2.036*	0.254	5.509*	0.034	2.000*	0.288	5.878*	0.134
Interdepartmental Conflict	-0.194	-3.613*	-0.210	-4.672*	-0.057	-3.167*	-0.268	-5.702*	0.027
Interdepartment Connectedness	0.198	3.765*	0.046	1.034	0.058	3.222*	0.104	2.261*	1.261

* significant at 5% level, † significant at 10% level (γ -coeff[†] = gamma coefficients)

FIGURE 1 DIRECT EFFECTS ON INTERNAL CUSTOMER ORIENTATION AND MARKET ORIENTATION



THE LEARNING ORGANIZATION AND MARKET ORIENTATION: A STUDY OF EXPORT COMPANIES IN THE NETHERLANDS

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ABSTRACT

This study focused on the interrelations between formalisation, the learning organization, market orientation, business performance and on the possible moderating influence of the environmental variables competitive intensity and turbulence. This study was done in the context of the larger Dutch export companies. A review of the literature enabled the development of the following four hypotheses:

H1: Formalisation is negatively related to the learning organization and market orientation.

H2: The learning organization and market orientation are positively related.

H3: The learning organization and market orientation are positively related to business performance.

H4: The positive relationship between the learning organization and market orientation with business performance is moderated by the environmental variables competitive intensity and turbulence.

The questionnaire for this study consisted of 105 LOPP and MARKOR items with a six point, Likert type, scale. 670 postal questionnaires were mailed to larger (determined by number of employees) export companies. A response rate of 17 % was recorded. Each section of the questionnaire dealing with the different constructs was factor analyzed using the principal components method of factor extraction by a varimax rotation. In this way the scales were refined and factors were identified for each construct. The statistical analysis of the constructs of the research model showed instruments with acceptable levels of reliability and validity. The relationship between the constructs was explored using multiple regression techniques. Structural equation modeling was used to gain a deeper understanding of the interrelationships between the constructs by developing and testing two hypothetical models. Results indicated that these models were satisfactory. Statistical analysis provided support for H2 and H3. For H1 and H4 no support was found.

INTRODUCTION

This paper investigates the relationship of the learning organization and market orientation with each other and with businesses performance. The paper also investigates the (moderating) influence of the environment on these relationships. The paper reports the results of a research project in the Netherlands to investigate the model. The paper concludes with suggestions for the research agenda.

LITERATURE REVIEW

The Learning Organization

The learning organization concept usually consists of the idea that successful adaptation to change and uncertainty depends for an important part on the sufficient and appropriate learning throughout the organization all the time. A learning organization is essentially an organization where the individual learning of its personnel is promoted and facilitated and where sharing these learning experiences is emphasized. Learning in the learning organization cannot be understood simply as the sum of the learning of individual organization members. Instead, the learning processes follow patterns that consist of team, departmental and organizational learning. Moreover the distinction in the learning organization literature between “adaptive” and “generative” learning is important (Argyris and Schon 1978). Adaptive or “single-loop learning” occurs between the organization’s assumptions about “how things are done around here”. Generative or “double-loop learning” takes place when the long-held assumptions of the organization about its strategy, customers, and mission are questioned, whenever a problem cannot be solved by adaptive learning. This means that learning organizations should have the capacity for double-loop learning.

Essential to learning organizations is, of course, the way the organization learns: "a process whereby concepts are derived from and continuously modified by experience" (Kolb 1984). Kolb represents this "experiential learning process" as a four-stage cycle of concrete experience, reflective observation, abstract conceptualization and active experimentation. This learning cycle is continuous and recurring. Another important cornerstone of learning organization theory is the notion of "organizational memory" (Kim 1993; Senge 1990). "The parts of an organization's memory that are relevant for organizational learning are those that constitute active memory - those that define what an organization pays attention to, how it chooses to act, and what it chooses to remember from its experience - that is, individual and shared mental models. Nonaka (1991;1995) developed the concept of "tacit knowledge". This is the art of creating new knowledge by tapping the tacit and highly subjective insights, intuitions and hunches from people.

Instruments for measuring the extent of learning organization are scarce and only recently (for an overview see Van Buren and Lucadamo 1996). have some instruments become available, although until now these instruments have barely been statistically validated and scrutinized

Market Orientation

The concept of orientation "describes states to which real businesses might be said to tend either to one or other or more than one" (Pierson 1993). A market oriented organization successfully applies the marketing concept (Kohli and Jaworski 1990). Market orientation can be defined as a *stage of chronological development*, as a *philosophy*, as a *culture* and as a *concept*.

One way of looking at a market orientation, is as a *chronological development* of marketing stages. Those who subscribe to this view see a market orientation as the ultimate stage of development and draw a parallel with the economic development of a country by assuming that a market orientation develops through stages or eras of business orientations. These stages are production orientation, sales orientation and market orientation.

Market orientation can also be seen as a *philosophy* held by the management of the organization. This philosophy may consist of (Kohli and Jaworski 1990; McGee and Spiro 1988):

- *Customer Orientation*, which means the will to really understand the factors that determine the customer's action. Two aspects are critical here. First, the understanding of the psychological and social factors that determine the customer's action. Secondly, the understanding of customer behavior makes it possible for the company to specify the right market research questions.
- *Competitor Orientation*: the company is very sensitive to the characteristics and actions of the main competitors.
- *The integration of effort*, which means that the whole firm is organized and coordinated in the service of the customer. Also, it is important that the company coordinates the different elements of the marketing mix, in order to provide customers with the products and services they want.
- *Organizational objectives*: serving customer needs in order to meet the requirements for achieving objectives and profit.

Market orientation could also be seen as an *organizational culture*. Deshpande, Farley and Webster (1993) describe market orientation as a form of culture that (1) places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other key stakeholders; and (2) provides norms for behavior regarding the organizational development of and responsiveness to market information. As Day (1994) puts it: "A market driven culture supports the value of thorough market intelligence and the necessity of functionally coordinated actions directed at gaining a competitive advantage". Essentially the market oriented culture is externally oriented.

The last angle from which market orientation can be seen is as a *concept*. Kohli and Jaworski (1990) provide an operational definition for market orientation. "Market-orientation is the organization-wide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments and organization-wide *responsiveness* to it". Jaworski and Kohli put much effort into the measurement of market orientation (Jaworski and Kohli 1993). The way Kohli and Jaworski operationalize market orientation focuses on activities and thus makes it easier to measure the level of market orientation in a company.

For the operationalization of market orientation, different instruments have been developed: for instance by Kohli, Jaworski and Kumar (1993), Naver and Slater (1990), Deshpande, Farley and Webster (1993), Webster (1993), Reukert (1992).

Relationship between the Learning Organization and Market Orientation

Learning organizations have the collective capacity to learn, as entire organizations. They learn from their environment, they learn from their clients, they learn from their competitors and one part of the organization can learn from the mistakes of another part. So essentially a market orientation and the learning organization seem to have much in common. For instance, market orientation theorists stress intelligence generation and intelligence dissemination, while the learning organization scholars mention open minded inquiry and synergistic information distribution. Slater and Narver (1995) support this notion. Their argument is that a market orientation (complemented by an entrepreneurial drive: see also Miles and Arnold 1991) is beneficial for the performance of the company. However, this will be the case only, if it is accompanied "by an appropriate climate to produce a learning organization". This climate must entail "higher-order learning": double-loop or generative learning.

Sinkula (1994) studied the relationship between a market orientation and the learning organization from the viewpoint of the relationship between market information processing and organizational learning. In successful organizations market information is firstly acquired, secondly distributed, thirdly interpreted and fourthly stored for future use in the organizational memory. This sound way of market information processing is typical for a learning organization and for a market oriented organization. In his paper on market driven firms (which could also be called market oriented firms), Day (1994) investigates the learning processes in these kinds of companies. He states that "learning processes in market- driven firms are distinguished by:

- Open-minded *inquiry*, based on the belief that all decisions are made from the market back.
- Wide-spread *information distribution* that ensures relevant facts are available when needed.
- Mutually informed mental models that guide *interpretation* and ensure everyone pays attention to the essence and potential of the information.
- An accessible *memory* of what has been learned so the knowledge can continue to be used".

Thus, for Day (1994), market-driven (or market oriented) organizations are characterized by learning processes, comparable to the learning processes in learning organizations.

Business Performance

After market orientation received new attention in the 1990's, much attention has been addressed to the presumed positive relationship between market orientation and the performance of the business. In the same fashion it has been asserted that learning organizations have a competitive advantage.

Slater and Narver (1995) state in their paper: "presumably, learning facilitates behavior change that leads to improved performance". Therefore it seems most likely that a fully functioning learning organization will perform better than one which has only partly embraced learning organization principles. As Ray Stata (1989) of Analog Devices writes: "I would argue that the rate at which individuals and organizations learn may become the only sustainable competitive advantage, especially in knowledge-intensive industries". This need for learning to obtain competitive advantage was also highlighted by De Geus (1988) who states that the only source of sustainable competitive advantage arises from those companies that can learn faster than their competitors.

This is different for the relationship between market orientation and business performance, where recently empirical data came available. Jaworski and Kohli (1993) found a significant association between market orientation and business performance, as was the case with Slater and Narver (1994). Reukert (1992) investigated, among other aspects, the degree of market orientation and long-term financial performance, which also turned out to be positive. Deshpande, Farley and Webster (1993) also found a positive relationship (in Japan). Webster (1993) found a positive relationship between marketing culture and ROI. Hart and Diamantopoulos (1993) only found a weak positive association between market orientation and performance. So it seems that most research provided some evidence for the market orientation-performance link, although some studies did not find convincing evidence.

The *measuring of business performance* is a difficult task. Pure financial and objective measures may be preferred, such as net profit, sales growth, ROI, turnover. The difficulty is that companies can hardly be compared (Dess and Robinson 1984), taking their “unique” characteristics and their different industrial background into account. In one industry a net profit of 2 % is excellent, while in another industry a profit of 10 % is rather low. Also the phase (growth or decline, for example) in which the industry finds itself, and its history (huge investments for the future, reorganizations and the like) influence the rate of “normal” profit. In management research, moreover, objective financial information is difficult to obtain, as much of this information is strategic and sensitive from the competitive point of view. Therefore, subjective (sometimes called “judgmental”) and partly non-financial measures of performance are sometimes proposed (Caruana and Pitt 1994). Jaworski and Kohli (1993) and Slater and Narver (1994) for example, relied largely on subjective measures in their research on the relationship between market orientation and business performance. Jaworski and Kohli (1993) used as an objective measure the dollar share of the served market, but they didn’t find satisfactory results with this measure and relied completely on the subjective (“judgmental”) measures. Dess and Robinson (1984) and Pearce, Robbins and Robinson (1987) showed that such measures can be reliable means for measuring performance. Greenley (1995) incorporated objective and subjective criteria for measuring performance.

Moderating Role of the Environment

In their empirical study Jaworski and Kohli (1993) included three environmental characteristics: market turbulence, technological turbulence and competitive intensity. Jaworski and Kohli (1993) found no support for these environmental effects, thus had to conclude that the market orientation-performance link held, irrespective of the investigated environmental characteristics.

Slater and Narver (1994) also studied the moderating effect of environmental variables with the market orientation-performance link. They considered the “moderating variables” market growth, buyer power, market turbulence, which was adopted from Kohli and Jaworski. Slater and Narver (1994) also borrowed the technological turbulence variable from Kohli and Jaworski, to which they attributed the same negative effect on the market orientation-performance link. Another moderating dimension of Slater and Narver (1994), was competitor hostility and competitor concentration. Slater and Narver (1994) found partial support for the moderation of market turbulence with ROA, technological change with new product success and market growth with sales growth. Despite these results, Slater and Narver (1994) reported that in fact only limited support for the market orientation-performance link was provided, as none of the above-mentioned associations was significant.

Greenley studied the relationship of market orientation and business performance and the influence of environmental variables on this relationship for UK companies. Greenley used the Slater and Narver (1994) model for market orientation and business performance, as well as for the moderating variables. The research results showed that market turbulence and technological change exhibited moderator effects. However, market turbulence had a negative effect (while in the Slater and Narver model a positive effect was expected). No evidence was found that market growth acted as a moderator.

To conclude: the learning organization and market orientation are both promising concepts. According to the literature, they are both likely to exert a positive influence on companies’ business performance, although this effect may be moderated by environmental variables. For both the learning organization and market orientation concepts, measuring instruments have been developed. Business performance can best be measured by subjective or judgmental criteria. Objective criteria are more difficult to use.

RESEARCH MODEL AND RESEARCH HYPOTHESES

The research model described here is the conceptual model of the research plus the hypotheses, together with a careful articulation justifying the hypotheses. Because of time and resource constraints, the need to limit the complexity of the research model and the length of the questionnaire (in order to receive a reasonable response) the scope of the research had to be limited. Further on for reasons of parsimony (parsimony (Hair, Anderson, Thatham, Black 1992) is “the degree to which a model achieves model fit for each estimated coefficient”) the research model should not be overfitted. Therefore the focus was on a limited number of aspects - namely the relationship between the learning organization and market orientation variables; the influence of formalisation on these variables; the relationship of these variables with business performance and the moderating influence of

turbulence and competitive intensity on the relationship of the learning organization and market orientation with business performance.

Market orientation is directed at innovation and risk taking. Formal decision-making, rules and procedures are essentially conservative in character. Therefore it seems likely that formalisation is inversely related to market orientation (Jaworski and Kohli 1993). It is interesting to see if this also applies to the influence of formalisation on the learning organization. Therefore the first hypothesis states:

H1: Formalisation is negatively related to the learning organization and market orientation.

Learning organizations have the collective capacity to learn, as entire organizations. They learn from their environment, they learn from their clients, they learn from their competitors and one part of the organization can learn from the mistakes of another part. So the learning organization and a market orientation seem to have much in common (see for example Slater and Narver 1995 and Day 1992):

H2: The learning organization and market orientation are positively related to each other.

Kohli and Jaworski (1990) stated that the greater the level of market orientation of organizations, the higher their performance. Slater and Narver (1995) state in their paper: "presumably, learning facilitates behavior change that leads to improved performance". Therefore it seems most likely that a learning organization will perform better than a non-learning organization:

H3: The learning organization and market orientation are positively related to business performance.

Kohli and Jaworski (1990) mention four moderators that influence this relationship: market turbulence, technological turbulence, competitive intensity and performance of the economy. In their study of 1993, and the empirical research of Slater and Narver (1994) however, they found that the market orientation-performance link held irrespective of the investigated environmental characteristics. Nonetheless it seems worthwhile to consider the role of the environment explicitly, for example in other cultures than the US, in order to collect more empirical evidence on this complex matter. Also it would be interesting to extend this investigation to the probable positive relationship between business performance and the learning organization. This study limited the assessment of environmental variables to competitive intensity and turbulence. This leads to the next hypothesis:

H4: The positive relationship between the learning organization and market orientation with business performance is moderated by the environmental variables of competitive intensity and turbulence.

EMPIRICAL INVESTIGATION

Survey Research

A questionnaire was designed where the learning organization aspects were measured by LOPP items, while market orientation was measured by MARKOR. Because it was thought that the use of objective measures wouldn't be attainable, business performance was measured by subjective self perception of the respondents (with MARKOR items). MARKOR is a well established and well validated instrument (Kohli, Jaworski and Kumar 1993). Although a clear statistical validation report of the Learning Organization Practices Profile (LOPP) of O'Brien (1994) was not available, it seemed one of the best instruments to measure the learning organization because of its clear link with the theory on the learning organization as described in this paper and because no validated instruments to measure the learning organization were available at all. However, on request of the researcher some "soft validation" information about content, face and intrinsic validity was provided by O'Brien and in a paper in Training Magazine, O'Brien gave some additional information on the backgrounds of the LOPP (O'Brien and Kremer Bennett 1994). This information gave the researcher confidence in the soundness of the instrument. Because this extended version of MARKOR consisted of 132 questions and LOPP of 60 (a total of 192) the large number of items had to be reduced because questionnaire length has a significant impact on the response rate, as was demonstrated in a group of managers (Ford et al, 1992)

and in other groups (Bean and Roszkowski, 1995). Put differently, a large *negative correlation* between the number of questions (and its degree of perceived difficulty) and the level of non-response can be expected. Childers and Ferrell (1979) have found that response rate is related to questionnaire size, while Kanuk and Berenson (1975) discovered that the response rate increases with a decrease in the questionnaire length. So, both questionnaires were analyzed critically, and some 100, seemingly superfluous, questions were deleted. As some questions were added (about the business the respondents are in and about their experiences filling out the questionnaire), the final total of the (mainly multiple choice) questions numbered 114. The questionnaire consisted of a six-point, Likert-like scale.

The survey research was done by self-administered questionnaires. As organizational surveys generally suffer a low and decreasing response, some methods were used to increase the response rate (see for example Tomaskovic-Devey, Leiter and Thompson (1994) for an overview). The questionnaire was accompanied by a letter and a stamped, self-addressed envelope for returning the questionnaire. After that two follow-up mailings were administered: the first after four weeks with a reminder letter and another after seven weeks with a new questionnaire, translated into Dutch. The follow-up by letter, the use of stamped return-envelopes and the sending of the questionnaire for the second time (in Dutch) was done, of course, to increase the response rate. The same counts for the introduction letter of the questionnaire, that showed that the research was supported by Henley Management College. The survey research project was undertaken in the Netherlands with all 670 (1995 figures) Dutch "exporting companies" with more than 200 employees. These 670 companies were taken from a database of the Dutch Ministry of Economic Affairs. In the Netherlands companies of the size of 200 employees or more are considered large firms. The larger exporting companies were chosen, because they are known to be the most innovative and powerful companies in the Netherlands. These companies - on which the Netherlands is very much dependent for its wealth - have to cope with intense international competition, thus these companies have an urge to be learning and market oriented organizations. Because of this small population of "target companies", it was decided to approach all the companies that employed more than 200 people and that were known - according to the Ministry of Economic Affairs - as exporters. Thus no probability sample was drawn.

Prior to the actual study, a pilot study was undertaken on a sample of 70 exporting companies, belonging to the target group of 670. The first 70 companies of the list (in alphabetical order) were selected. The result was a response of 9. As one questionnaire was returned and two respondents explicitly did not want to cooperate, a response rate of approximately 13 percent was calculated. This result made the researcher look critically at the length of the questionnaire and made him try to limit the number of items further. Because the pilot respondents were positive about the questionnaire (they were asked about their experiences with the questionnaire specifically), it was decided to keep the final questionnaire largely unchanged and to send it out to the rest of the 670 companies. The only change made was a further reduction of the number of items to 81, to boost the response, after a critical scrutiny of the questionnaire. This resulted in a response of 105 companies from all sectors of industry. Some 35 organizations had moved, changed their addresses or refused to cooperate, bringing the response rate to almost 17 percent.

Replication in Another National Organizational Culture

An issue that should be addressed, is that of replication. To some extent the research described in the thesis can be characterized as *replication research*. The replication from research done in one country in another country addresses attention to the implication of national culture for the research process. The Dutch researcher Hofstede studied national cultures in more than 50 countries, by analyzing the organizational cultures of the IBM subsidiaries around the globe and by grouping the national cultures along five dimensions: 1- Power Distance, 2- Individualism versus Collectivism, 3-Masculinity versus Femininity, 4- Uncertainty Avoidance and 5- Long Term versus Short Term Orientation (Hofstede 1994).

In terms of Hofstede, now, does the Dutch national organizational culture differ from the American (US) organizational culture? Hofstede collected data for organizations in the different countries that were scored against a scale of 0 for the lowest scoring to 100 for the highest. He ranked the national organizational cultures accordingly. The distribution of the number of points and the ranking of the American and Dutch national organizational culture by Hofstede (1994):

Table 1. - Scores of the USA and the Netherlands on five dimensions of national culture (the higher the index, the higher the ranking) (Hofstede 1994)

Country	Power Distance Index/Rank	Individualism Index/Rank	Masculinity Index/Rank	Uncertainty avoidance Index/Ranks	Long term orientation Index/Rank
USA	40/38	91/1	62/15	64/30	56/8
Netherlands	38/40	80/4-5	14/51	53/35	44/10

Table 1 shows that the national culture of the USA and the Netherlands are close on almost all dimensions. The main difference is on the masculinity dimension: the USA is much more masculine than the Netherlands. According to Hofstede (1994) in masculine countries men are very assertive, while women are modest and caring. So there is a great deal of difference between men's and women's values. In feminine countries the men have almost the same caring and modest values as the women, so the difference between their values is limited. This means that in the Netherlands the organizational culture tends more to an emphasis on relationships, while in the USA the emphasis is more on achievement. To conclude: the (partial) replication of MARKOR and LOPP from the American national organizational culture in the Dutch national organizational culture, does not meet too many cultural differences. The main difference is between the emphasis on masculinity in the USA and on femininity in the Netherlands. These organizational cultural differences could influence the results when replicating American research in the Netherlands. It would be imaginable, because of the emphasis learning and market oriented organizations put on human cooperation and information dissemination, that a feminine more relational oriented organizational culture would have a positive effect on learning and on the information processing capability. When these preliminary ideas do have some relevance, then in the Netherlands there would be a somewhat more positive organizational climate for learning and market oriented organizations than in the USA.

Factor Analyzes of the Data

After the data collection a statistical analyzes was performed with SPSS 7.5.1. To test and refine the constructs of the learning organization, market orientation, business performance, turbulence, competitive intensity and formalisation of the conceptual model (**Figure 1**), a confirmatory factor analysis (principal components and orthogonal varimax rotation) was performed on all the items relating to the constructs. Eight factors were extracted with an Eigenvalue above 1 that accounted for almost 75% of the variance. The first six factors accounted for almost 50% of the variance, of Eigenvalues of almost above 2 (1.970) and showed, after further analysis, a Cronbach's (1951) Alpha above 0.60. Also because of the chance of extracting too many factors, it was decided to proceed with these six factors only. The rotated factor matrix thus produced the following factors, that corresponded with the proposed constructs, which were taken as the constructs for further analyzes.

Factor 1: Learning Organization. Definition: "a learning organization is an organization where the individual learning of its personnel is promoted and facilitated, where sharing of these learning experiences and (tacit) knowledge in mental models is emphasized and where double-loop or generative learning are stimulated". This factor consisted of the items 1-23 (see Appendix 1). With these variables, factor 1 corresponded clearly with the learning organization scale, although the items 1 and 2 were not LOPP but MARKOR items. Because these items, from the point of view of face validity, didn't seem at odds with the properties of the learning organization, they were kept in factor 1. The other items were all original LOPP items. Altogether factor 1, the learning organization, consisted of twenty-three items with a Cronbach's (1951) Alpha of 0.9396.

Factor 2: Market Orientation. Definition: "market-orientation is the organization-wide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments and organization-wide *responsiveness* to it" (Kohli and Jaworski 1990). This factor consisted of the items 24-33 (see Appendix 1). Factor 2 corresponded clearly with the market orientation scale. Factor 2, market orientation, consisted of ten items which were all original MARKOR items with a Cronbach's (1951) Alpha of 0.8426.

Factor 3: Business Performance. Definition: The business performance of an organization refers to its competitive advantage in terms of sales growth, profitability and quality of products and services". This factor consisted of the items 34-37 (see Appendix 1). Factor 3 included the "original" MARKOR business performance items 36 and 37. But factor 3 also included the (MARKOR)

items 34 and 35. These however seemed to make sense from a competitive advantage point of view (in accordance with the definition of competitive intensity used in this paper). These items were quality measures and could therefore attribute to competitive advantage. Thus these items seemed to be acceptable performance measures. Altogether factor 3, business performance, consisted of four items with a Cronbach's (1951) Alpha of 0.7026.

Factor 4: Turbulence. Definition: "turbulence is the rate of technical change in the environment of the organization and the rate of change in the composition of customers and their preferences this organization encounters". This factor consisted of the items 38-42 (see Appendix 1). The first four items were the "original" MARKOR market turbulence items. The last item (42) was the "original" MARKOR technological turbulence item. Although Kohli and Jaworski (1990) postulated that this last variable would have a negative effect and that the four other variables would have a positive effect on the relationship of market orientation and business performance, because this item correlated highly with the other turbulence items (deletion of this item would lower Cronbach's (1951) Alpha with 0.030), it was added. Furthermore, this negative effect of technological turbulence wasn't found empirically (neither was the positive effect on the relationship of market orientation and business performance) by Jaworski and Kohli (1993) Altogether factor 4, turbulence, consisted of five items with a Cronbach's (1951) Alpha of 0.6794.

Factor 5: Competitive Intensity. Definition: "competitive intensity is the degree of competition an organization experiences on the marketplace". This factor consisted of the items 43 and 44 (see Appendix 1). These were "original" MARKOR competitive intensity items Altogether factor 5, competitive intensity, consisted of two items with a Cronbach's (1951) Alpha of 0.8163.

Factor 6: Formalisation. Definition: "formalisation is the degree to which rules define authority relations and autonomy of individual workers". This factor consisted of the items 45 and 46 (see Appendix 1). These were "original" MARKOR formalisation items. With this factor 6 consisted of two items with a Cronbach's (1951) Alpha of 0.7307.

Association between Constructs

The above mentioned factors thus grouped 46 LOPP and MARKOR items into six constructs. The association between these constructs was measured by different statistical tests. The first one was the *bivariate correlation* between the constructs. Some correlations were high and significant at the 0.01 level: learning organization with market orientation (0.736), learning organization with business performance (0.365), learning organization with turbulence (0.351), market orientation with business performance (0.449) and market orientation with turbulence (0.337). High at the 0.05 level was business performance with turbulence (0.248). The correlations between formalisation with learning organization, market orientation, business performance, competitive intensity and turbulence, between learning organization and competitive intensity, between market orientation and competitive intensity, between business performance and competitive intensity and between turbulence and competitive intensity were not significant at the 0.05 level.

Multiple regression was carried out for the model with the business performance construct as the dependent variable and the learning organization, market orientation, turbulence, competitive intensity and formalisation constructs as the independent variables, using the enter selection method. The goodness of fit of the model was $R^2 = 0.243$. If all observations fall on the regression line, $R^2 = 1$, and if no linear relationship exists, $R^2 = 0$. The adjusted R^2 statistics was 0.205, which is significant at $p < 0.05$. The F statistic was below the 0.05 level. This meant that the hypothesis that the population $R^2 = 0$ could be rejected. As was to be expected from the high correlation between the learning organization and market orientation, the tolerance figures of learning organization and market orientation were low, indicating that collinearity or a high correlation between these independent variables was probable. The tolerance figures of formalisation, competitive intensity and turbulence were high, which means that collinearity or a high correlation between these variables with the other independent variables was improbable. The multiple-regression model requires the assumption that the predictor variables are not correlated. Therefore, the independent variables learning organization and market orientation were not taken together in the same regression model. The independence of the error term can be checked by the Durban-Watson statistic that varies from 0 to 4. If the residuals are independent and not correlated, d is close to 2. Values of less than 2 imply that the adjacent residuals are positively correlated and values greater than 2 are negatively correlated. The Durban-Watson statistic was 2.097 for this analysis, showing near independence of the residual terms.

Moderating Effect of Environmental Variables on the Relationship between the learning Organization, Market Orientation and Business Performance

In order to be able to investigate the moderating influence of the environmental variables included in this research with regression analysis, the means of the environmental variables - competitive intensity and turbulence - were split at the mid point of the scale, one with relatively low (1-3) competitive intensity and turbulence (those with no agree) and one with relatively high (4-6) competitive intensity and turbulence (those with agree). As can be seen from Table 2, there were some perceptible moderating effects of turbulence and competitive intensity on the relationship of the learning organization and market orientation with business performance. The partial correlation did not show an important influence, but the regression did. Where turbulence was high, there was a weak, albeit significant effect at the 0.01 level on the relationship between market orientation and business performance. Where turbulence was low, there was a significant effect on the relationship between market orientation with business performance at the 0.05 level. And where competitive intensity was low there was a significant effect on the relationship both between learning organization with business performance at the 0.01 level and market orientation with business performance at the 0.01 level. Where competitive intensity was high, there was also a significant effect on the relationship between learning organization with business performance and market orientation with business performance at the 0.01 level. So the conclusion can be drawn from these statistics that there was some moderating influence of the environmental variables on business performance.

Table 2. - (Partial) correlation and regression of performance as dependent variable

Type	Controlling for	Independent variables*	Value	Significance
Correlation	-	learning organization*	r=0.365	p=0.000
Correlation	-	market orientation*	r=0.449	p=0.000
Correlation	turbulence and competitive intensity	learning organization*	r=0.230	p=0.002
Correlation	turbulence and competitive intensity	market orientation*	r=0.395	p=0.000
Correlation	turbulence	learning organization*	r=0.307	p=0.002
Correlation	turbulence	market orientation*	r=0.401	p=0.000
Correlation	competitive intensity	learning organization*	r=0.363	p=0.000
Correlation	competitive intensity	market orientation*	r=0.447	p=0.000
Regression	-	learning organization	R ² =0.133 b=0.365	p=0.000 p=0.000
Regression	-	market orientation	R ² =0.202 b=0.449	p=0.000 p=0.000
Regression	turbulence low	learning organization	R ² =0.106 b=0.326	p=0.129 p=0.129
Regression	turbulence high	learning organization	R ² =0.133 b=0.364	p=0.012 p=0.012
Regression	competitive intensity low	learning organization	R ² =0.303 b=0.583	p=0.007 p=0.007
Regression	competitive intensity high	learning organization	R ² =0.088 b=0.297	p=0.009 p=0.009
Regression	turbulence low	market orientation	R ² =0.126 b=0.407	p=0.054 p=0.054
Regression	turbulence high	market orientation	R ² =0.181 b=0.425	p=0.003 p=0.003
Regression	competitive intensity low	market orientation	R ² =0.319 b=0.565	p=0.009 p=0.009
Regression	competitive intensity high	market orientation	R ² =0.164 b=0.405	p=0.000 p=0.000

Structural Equation Model for the Constructs

Structural equation modeling is “a multivariate technique combining aspects of multiple regression (examining dependence relationships) and factor analysis (representing unmeasured concepts - factors - with multiple variables) to estimate a

series of interrelated dependence relationships simultaneously” (Hair, Anderson, Thatham, Black 1992). The analysis in this study was conducted using the computer program AMOS, version 3.6 which was developed by James L Arbuckle (Arbuckle 1997). AMOS stands for “Analysis of moment structures”. The first model that was thus analyzed, was called model A with all six constructs used in this study and fully consistent with the conceptual model of figure 1, except that the learning organization and market orientation constructs (because of their strong association that appeared from the statistical analysis) were combined to one variable: “the market oriented learning organization” (see Appendix 2).

Model A

Absolute fit measures

The fundamental measure of overall fit is the “*likelihood-ratio chi-square statistic (χ^2)*”. In this instance, the analyst is looking for nonsignificant differences because the test is between the actual and predicted matrices. It is recommended that the 0.05 significance level be the minimum accepted, and it has been suggested that levels of 0.1 or 0.2 be exceeded before nonsignificance is confirmed” (Hair, Anderson, Thatham, Black 1992). χ^2 was 5.939, with 7 degrees of freedom and with a probability level of 0.547. These values indicate a good model fit, while the 0.2 level of nonsignificance is exceeded. The χ^2 measure is very sensitive however for *sample size differences*. As sample size increases, this measure has a greater tendency to indicate significant differences for equivalent models. Hair, Anderson, Thatham, Black (1992) consider in this context a sample size of 100 the minimum. They state that the sensitivity increases as the sample increases over 100 and reaches a “critical sample size” for a sample of 200. This means that the sample size of 105 in this study appears to be satisfactory. An alternative approach is offered by Bentler and Chou (1987), who recommend that the ratio of sample size to free parameters be at least 5:1 In this study this ratio was 1:5 for Model A, as the number of free parameters was twenty-one. So this study met the minimum criteria (1:5). Another index is the *GFI (Goodness-of-Fit Index)*. GFI is a non-statistical measure that ranges from 0 (poor fit) to 1 (perfect fit). In this study model A showed a GFI of 0.984 which is almost a perfect fit. The *Root mean square residual (RMR)* is the square root of the average squared amount by which the sample variances and covariances differ from the estimates obtained under the assumption the model is correct. The smaller the RMR, the better it is. When RMR is 0, the fit is perfect. In model A, the RMR was 0.717 which indicates a reasonable fit. The *Non Centrality Parameter (NCP)* is an alternative measure of fit to χ^2 that does not depend on sample size. The columns *LO 90* (0.000) and *HI 90* (8.650) contain the lower and upper limit of a 90 % confidence interval. In this study the NCP in model A was 0.000 which is on the lower (0.000) limits. Because it is in between the lower and higher level it is however acceptable.

Incremental fit measures

Incremental fit measures provide indices to compare the proposed model to the independence model. The *Tucker-Lewis coefficient (TLI)* was discussed by Bentler and Bonnett (1980) in the context of analysis of moment structures and is also known as the Bentler-Bonett non-normed fit index (NNFI). The typical range for TLI lies between zero and one, but is not limited to that range. A TLI value close to 1 indicates a very good fit, which was the case for model A in this study (TLI=1.022). The *Normed fit index (NFI)* was proposed by Bentler and Bonnett (1980) as an incremental measure of fit. The value of 0.964 found for model A showed a good fit. Bollen’s (1986) *Relative fit index (RFI)* values close to 1 indicate a very good fit. With 0.892 for model A, the NFI indicated a good fit. Another *Incremental fit index (IFI)* by Bollen (1989) of close to one, also indicates a good fit. This study produced a value of 1.007 for model A, which is a very good fit. Hoelter’s (1983) “*Critical N*” is the largest sample size for which one would accept the hypothesis that a model is correct. Hoelter does not specify a significance level to be used in determining the critical N, although he uses 0.05 in examples. In this study the Hoelter values for model A were 247 with a significance level of 0.05 and 324 with a significance level of 0.01. With a sample size of 105 in this study the critical N was not exceeded, both at the 0.05 and 0.01 level, which means that model A was not rejected.

Parsimonious fit measures

Parsimonious fit measures relate the goodness-of-fit of the proposed model to the number of coefficients required to achieve this level of fit. This is done in order to diagnose if the model fit has been achieved by overfitting. The *Adjusted goodness of fit index (AGFI)* is an extension of the GFI, adjusted by the ratio of degrees of freedom for the proposed model to the degrees of freedom for the null model. The AGFI can reach a highest score of one, which means a perfect fit. A recommended acceptance level is a value of greater than or equal to 0.90. The AGFI is not bounded by zero, as the GFI is. In this study model A showed an

AGFI of 0.935 which is a good fit. The *PGFI* (*parsimony goodness of fit index*), takes into account the number of degrees of freedom used to achieve a level of fit. Higher values of PGFI are better. The PGFI is mainly used for the comparison of models with differing degrees of freedom, where differences of 0.06 to 0.09 are proposed to be indicative of substantial model differences (Hair, Anderson, Thatham, Black 1992). The value for model A was 0.246, which will be compared with the value of model B shortly.

Regression weights and correlations

The influence as measured by the *regression weights* of the “market oriented learning organization” (market orientation and learning organization combined) on performance was strong (0.612). The influence of formalisation on learning organization (-0.066) and on market orientation (0.019) was minimal. The influence of turbulence (-0.013) on performance could almost be neglected, but the (negative) influence of competitive intensity (-0.226) on performance was substantial. A medium *correlation* existed between the “market oriented learning organization” and turbulence (0.388), an almost to neglect weak negative correlation between the “market oriented learning organization” and competitive intensity (-0.063) and between competitive intensity and turbulence (0.037).

Measurement model fit

All variables (learning organization: 0.660, market orientation: 0.829 and performance 0.581) except formalisation (0.00) had high *multiple correlation* values, thus showing a good model fit.

The alternative model B

As model A didn't show an effect of formalisation on the learning organization and on market orientation, model B contained all the constructs (variables) from this study as in model A, except the formalisation construct to see whether the model fit could be further improved.

Absolute fit measures

For model B χ^2 was 5.765, with 5 degrees of freedom and with a probability level of 0.330. These values indicate a good model fit, while the 0.2 level of nonsignificance is exceeded. As χ^2 hardly differed from model A (there χ^2 was 5.939), but the number of degrees of freedom decreased (from seven to five), the computation of χ^2 did not show an improvement of the model fit. The ratio of sample size to free parameters should be at least 5:1. In this study this ratio was 1:6.5 for Model B, as the number of free parameters was sixteen. So this study met the minimum criteria (1:5), also with regard to model B. *GFI* was 0.982 (in model A, *GFI* was 0.984) which is almost a perfect fit. In model B, the *RMR* was 0.808 (in model A, *RMR* was 0.717) which indicates a reasonable, but in relation to model A, a slight worsening fit. The *Non Centrality Parameter (NCP)*: columns *LO 90* (0.000) and *HI 90* (11.056) contain the lower and upper limit of a 90 % confidence interval. In this study the NCP in model B was 0.765 which is in between the lower and higher level and an improvement compared with model A, where the NCP value was exactly on the same level as the lower limit.

Incremental fit measures

A *TLI* value close to 1 indicates a very good fit, which was the case for model B in this study *TLI* was 0.983 (in model A, *TLI* was 1.022). The *Normed fit index (NFI)*: the value of 0.963 (in model A, *NFI* was 0.964) found for model B, showed a good fit. Bollen's (1986) *Relative fit index (RFI)* values close to 1 indicate a very good fit. With 0.888 (model A : 0.892) for model B, the *NFI* indicated a good fit. An *Incremental fit index (IFI)* of close to one, also indicates a good fit. This study produced a value of 0.995 (model A: 1.007) for model B, which is a very good fit. In this study the *Hoelter* values for model B were 200 (model A: 247) with a significance level of 0.05 and 273 (model A: 324) with a significance level of 0.01. With a sample size of 105 in this study the critical N was not exceeded, both at the 0.05 and 0.01 level, which means that model B was not rejected.

Parsimonious fit measures

Model B showed an *AGFI* of 0.923 (model A: 0.935) which is a good fit. The value for *PGFI* for model B was 0.234. Compared to model A, where *PGFI* was 0.246, this was not an improvement.

Regression weights and correlations

The influence as measured by the *regression weights* of the “market oriented learning organization” on performance (0.616) was comparable to that in model A (0.612). As in model A, the influence of turbulence (-0.022) (model A: -0.013) on performance could almost be neglected, but the (negative) influence of competitive intensity (-0.226) (model A: -0.226) on performance was substantial. The *correlations* for model B: a medium correlation existed between the “market oriented learning organization” and turbulence (0.390) (model A: 0.388), an almost to neglect weak negative correlation between the “market oriented learning organization” and competitive intensity (-0.061) (model A: -0.063) and between competitive intensity and turbulence (0.048) (model A: 0.037). The regression weights and correlations of model B were largely comparable to those of model A.

Measurement model fit

All variables except turbulence (0.000) had medium to high *multiple correlation* values (learning organization: 0.661, market orientation: 0.818 and performance 0.316), thus showing a good model fit. These values were comparable to those of model A. The alternative model, model B, showed an acceptable level of overall fit using a number of indices. The values of the indices were however not better than those of model B. This meant that the model fit could not be improved.

CONCLUSIONS

The hypotheses of this study were:

H1: Formalisation is negatively related to the learning organization and market orientation.

H2: The learning organization and market orientation are positively related.

H3: The learning organization and market orientation are positively related to business performance.

H4: The positive relationship between learning organization and market orientation with business performance is moderated by the environmental variables of competitive intensity and turbulence.

This study provided statistically significant evidence to support hypotheses 2 and 3. No statistically significant evidence was found to support hypothesis 1. Some evidence was found in the regression analysis (Table 2) for the support of hypotheses 4, but this was not extended by the structural equation modeling. Although the competitive intensity construct had a traceable negative effect on performance, there was no correlation found between competitive intensity and the market oriented learning organization. In the hypothetical models A and B this meant that there was no traceable moderating influence of competitive intensity. This means that hypothesis 4 did not hold either.

These findings were, with regard to the relationship of market orientation with business performance and the moderating influence of environmental variables on this relationship, largely consistent with the results that were reported by Jaworski and Kohli (1993) and Slater and Narver (1994).

The study showed that the learning organization and market orientation had an important effect on the business performance of the company. This means that managers who strive for and attain high levels of learning organization and market orientation are influencing the business performance of their company in a positive way. Because in the Netherlands the organizational culture tends to an emphasis on relationships, while in the USA the emphasis is on achievement, the circumstances for learning and market oriented organizations may be more favorable in the Netherlands than in the USA. However, this research did not produce data that could underpin these assumptions.

Directions for the future research agenda

1. As no significant association was found in this study between the moderating influence of the environmental characteristics on the relationship between the learning organization and market orientation with business performance, more study on this subject would be very helpful.

2. The replication of this research in other cultures than the US and Europe, with simultaneous assessment of the influence of these cultures on the learning organization and market orientation, would be useful.

3. It seems important, in addition to quantitative research techniques, to use more qualitative types of investigation. Questions like “what does a market orientation really mean to an organization”, or “what makes a learning organization different from a non-learning organization” can hardly be answered by using quantitative research methods. Case studies and in-depth interviews seem better suited for this kind of questions.

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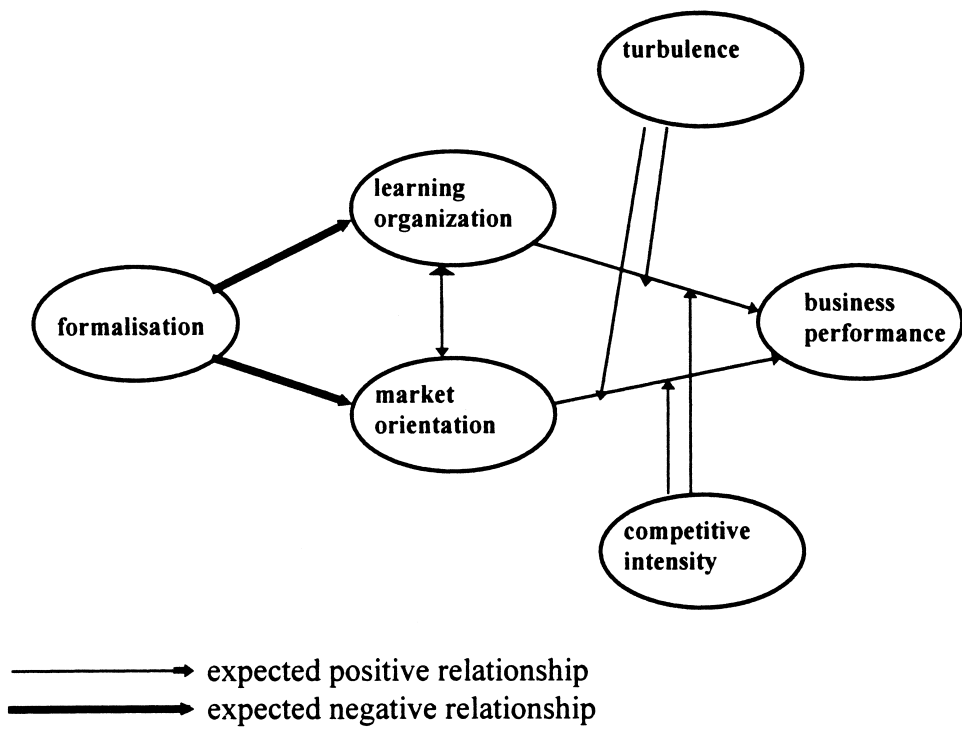
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Figure 1. - Conceptual model for research on the learning organization, market orientation and business performance



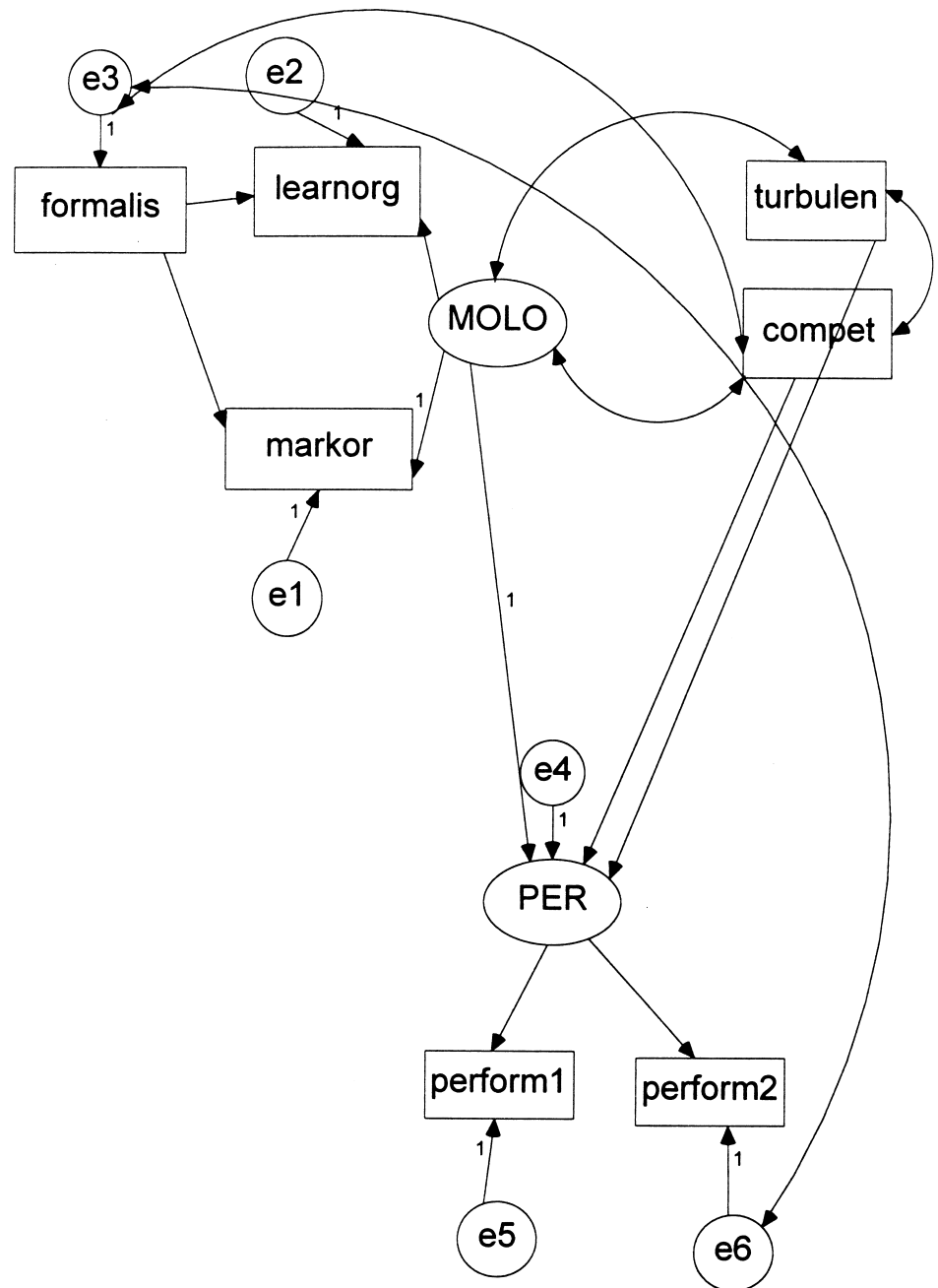
APPENDIX 1

Table 3: the items of the six constructs

Construct	Item	Label
Learning Organization <i>Alpha = 0.9396</i>	1	customer satisfaction assessments influence senior managers' pay
	2	polling end users to assess the quality of products and services
	3	vision and strategy are continually updated
	4	long term orientation;
	5	learning vision
	6	managers help employees to integrate learning experiences
	7	managers communicate effectively about the development of employees
	8	not afraid to share opinions and speak out
	9	reducing the number of rules, procedures and the like
	10	key business information dissemination
	11	key business performance dissemination
	12	analyze mistakes in order to learn
	13	active experimentation;
	14	inter-group learning
	15	customer satisfaction is considered in performance reviews
	16	giving feedback to suppliers
	17	"training on "learning how to learn"
	18	creativity training
	19	special learning projects
	20	training to enhance job performance
	21	managers are rewarded for supporting the development of their employees
Market Orientation <i>Alpha = 0.8426</i>	22	risk taking of employees is rewarded
	23	individual development plans that stimulate performance
	24	meeting with customers once a year
	25	in-house market research
	26	collecting industry information through informal means
	27	reviewing the effects of environmental changes on customers
	28	yearly interdepartmental meetings to discuss market trends
	29	data on customer satisfaction are disseminated regularly
	30	interdepartmental alertness
	31	alertness to changes in customers' needs
	32	reviewing product development effort
Business Performance <i>Alpha = 0.7026</i>	33	speed of response on customer complaints
	34	quality of products and services in relation with competition
	35	our customers are firmly convinced that we offer very good quality products and services
Turbulence <i>Alpha = 0.6794</i>	36	sales growth in relation with competition
	37	profitability in relation with competition
	38	customers' product preferences change
	39	customers tend to look for new products all the time
	40	witnessing demand from customers who never bought before
	41	new customers have product-related needs that differ from existing customers
Competitive Intensity <i>Alpha = 0.8163</i>	42	technology in industry is changing rapidly
	43	we experience cut throat competition in our industry
Formalisation <i>Alpha = 0.7307</i>	44	price competition is a hallmark of our industry
	45	a person cannot make his own decisions
	46	how things are done is not left to the person doing the work

APPENDIX 2

Figure 2 - Structural Equation Model for all constructs: Model A



formalis = formalisation
 learnorg = learning organization
 markor = market orientation
 MOLO = market oriented learning organization
 PER = business performance

perform 1 = quality performance
 perform 2 = sales/profit performance
 turbulen = turbulence
 compet = competitive intensity

COMPETITIVE STRATEGY AND MARKET ORIENTATION: THE RELATIONSHIP AND ITS IMPLICATIONS

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ABSTRACT

Market orientation has become a central tenet of marketing. While marketing effectiveness, marketing performance, and marketing success have been presented as important endogenous constructs in the pertinent literature, market orientation has emerged as a critical topic with fertile research opportunities. However, despite the proliferation of conceptual comment and empirical research on this topic, a lacuna remains regarding the nature of association between firms' level of market orientation and competitive strategy pursued. This paper presents the findings from a study of medium and large industrial manufacturing firms in which firms' aggressiveness, analysis, defensiveness, futurity, proactiveness, and riskiness in competitive strategy are evaluated against market orientation. The results of the analysis are discussed within the realm of extant knowledge and a number of implications are derived for executives and future research.

INDIVIDUALISTIC AND COLLECTIVIST VALUES IN BUSINESS: A RETAIL MANAGEMENT PERSPECTIVE IN PRIVATIZING ECONOMIES

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ABSTRACT

The globalization and intensification of competition in markets have generated considerable interest in those factors affecting business performance. Among those factors, managers' values and attitudes are important because they affect their perceptions of the world, which in turn determine the formulation of their marketing strategy. An increasing body of research identifies individualistic and collectivist values as domains which have an important impact on business behavior. However, there is insufficient understanding of the specific ways in which individualistic and collectivist values influence marketing managers. The purpose of this paper is to offer a conceptual discussion of the relative influence of managers' individualistic versus collectivist values on business practice, in the context of the privatizing economies in Central and Eastern Europe. The dynamics of the social and economic changes of transition have created a context in which traditional collectivist value systems coexist with new entrepreneurial values of a more individualistic nature. This situation makes privatizing countries ideal research laboratories for comparing marketing practices used by managers with different values and attitudes.

This paper focuses on small retailing businesses because it is in this context that the privatization process is most often displayed in its greatest intensity. Small retail businesses are the easiest to start, requiring little capital investment and technical expertise. Former retail managers who privatized their businesses and new entrants in retailing offer a population of managers with a diversity of values, ranging from highly collectivist to highly individualistic. Because retailing is where the general public begins to frame opinions about the privatization process, business behavior at this level has important social implications. In addition, for a small business there is a high correlation between the manager (who is generally the owner) and firm's marketing strategy. This paper offers a set of propositions linking retail managers' individualistic/collectivist (I/C) values to retail-mix behavior and performance. The rationale for these propositions is based on literature review and qualitative research conducted in the form of interviews with eight retailers in a large city in Romania. It is argued that both individualistic and collectivist value systems can make a positive contribution in a privatization context. Individualistic values contribute to efforts toward growth, profit, and innovation, while collectivist values contribute to an emphasis on relationships with customers, business partners, and the social community. As opposed to the macro focus of most research on market transition, this paper addresses the influences of specific values on specific behaviors and, in so doing, enhances marketers' understanding of social and economic change in privatizing countries and effective methods for entering those regions.

The proposed model is based on the value-attitude-behavior hierarchy as it relates to the individual retail business manager. This hierarchy reflects a process of motivation in which behavior is influenced by values, both directly and mediated by attitudes, in such a way as to produce desirable results. The values of interest are retail managers' individualistic versus collectivist values. Individualists tend to embrace values serving personal goals, such as achievement, power, self-direction and independence, while collectivists tend to embrace values serving group or societal goals, such as group and social well-being, integration, harmonious personal relationships, security, conformity and equality. The behavior of interest is the management of the retail-mix, expressed as activities associated with merchandising (assortment, pricing, promotion) and store operations (store presentation, customer service, and employee management). Managers' business orientation is an overall attitude that mediates the influence of managers' values on their strategic behaviors. Because an internal orientation is less likely to contribute to a long term successful strategy, the focus here is on external orientation which represents a managerial concern for capitalization on market opportunities and development of competitive advantages. However, externally oriented managers differ in the degree to which they focus on the customer versus the competitor element of the business environment. Customer oriented managers define performance in terms of customer satisfaction and loyalty while competitor oriented managers define competitive position and performance relative to key rivals.

In summary, it is proposed that, in transitioning economies, managers with predominantly individualistic values tend to have more of a competitor orientation, while managers with predominantly collectivist values tend to have more of a customer orientation. Managers with a competitor orientation tend to continuously improve merchandise assortment, promotion, store

presentation, and customer service by imitating and outperforming competition; they also tend to fluctuate prices by maintaining parity with competition. Managers with a customer orientation tend to focus primarily on merchandise assortment and customer service to better fit the needs of the served market; they tend to have more stable prices, determined by costs and established margins that are generally lower than those of competitor oriented managers. It is proposed that retail managers in transitioning economies can be successful in complementary ways. Individualistic managers enjoy growth, efficiency and high profits to the extent to which they differentiate the stores via unique or high quality merchandise-mix and store presentation; they tend to seek new supply sources and switch vendors for the best deal, advertise the business, practice higher prices, and emphasize employee skills and efficiency. Collectivist managers enjoy stability, status and recognition in community, to the extent to which they use the merchandise-mix and customer service to serve customers' needs in predictable ways. They develop long term relationships with a limited number of vendors, develop customer relationships through service and personal selling, practice lower, more stable prices, rely on informal promotional techniques such as word-of-mouth, and emphasize employee commitment and participation.

The paper concludes that, in the context of small retailers, individualistic managers are promoters of modernization and business growth. They lead the process of learning and dissemination of new business strategies and tactics, because of their continuous efforts to innovate and improve merchandise assortment, store presentation and customer service. However, shifting entirely away from collectivist to individualistic values is not necessarily desirable. Less motivated by personal gain and more motivated by status and respect in the community, collectivist retail managers tend to have a stronger customer orientation and care more for the economic and social well being of the community. To the extent to which communities in Central and Eastern Europe tend to be more self-contained and integrated, managers who share the collectivist values of their communities are likely to experience success and in so doing, help in the resurrection of the community as a whole. However, collectivist managers tend to be less efficient in business operations, less likely to learn from their competitors new strategies and tactics, and more likely to underdevelop their business. Therefore, while collectivist and individualistic values seem to be complementary, an interesting question is whether their blending within a socio-economic setting could give rise to a new, hybrid value system with positive synergistic effects. It is proposed that future research addresses the dimensionality of I/C values, the difference in quantity and quality of relationships developed by individualistic and collectivist managers, and tests empirically the value-orientation-strategy links.

Western businesses interested in marketing to consumers in transitioning economies need to understand the specific aspects of the retailing environment of those regions. As compared to Western markets, many Eastern European markets are characterized by strong ties between retailers and communities. Retailers embedded in communities tend to have collectivist values. They appreciate the development of stable, predictable long-term relationships with suppliers through which they can obtain good quality, reasonably priced merchandise. However, there is an increasing number of individualistic retailers who target the higher-income population with new Western merchandise. These retailers are quick in changing vendors, seeking best quality and assortments at best prices. International businesses targeting consumer markets need to develop different strategies in dealing with the two categories of retailers. In addition, international businesses which attempt to establish their own retailing operations in the collectivist environments of privatizing economies need to be aware of the importance of developing personal relationships with customers and other business partners. For retailers who enter strong collectivist environments, understanding the relative influence of various groups over channels of distribution may be essential for gaining entry into supply relationships. Hence, it is important to assess the local values and group structures before entering such new markets.

IF THERE WERE A TRADE WAR, WHO WOULD JOIN THE BATTLE?

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ABSTRACT

This study explores certain influences on Americans' willingness to purchase domestic (vs. foreign) film and automobiles within the context of the 1995 confrontation over access to Japanese markets. Results show a willingness to buy domestic related to certain attitudes toward international trade and ethnocentrism, nationalism, and cultural exposure.

INTRODUCTION

During a 1995 argument between the U.S. and Japanese governments over the ease of access for American products, two products that might be expected to represent the different ends of the spectrum of consumer involvement, photographic film and automobiles, were among the products specifically cited (*Facts on File* 1995). Fuji Photo Film and the Japanese government denied the charge (*The Economist* 1995). The well-publicized issue of a possible trade war with Japan brought the issue to the attention of American consumers and implicit was the possibility that Americans could "do battle" for their country by showing favoritism for American made film and autos. Critics of the Buy domestic theme state that consumers help themselves by judging products on their merit rather their origin. Thus, the issue devolves into the extent Americans feel foreign companies have a right to compete in America and will support or oppose free trade in the U.S. Simply put, if a trade war should be declared, who will be the consumer-soldiers who will "rally 'round the flag."

This study examines the influence of three sets of constructs on Americans' willingness to take the American side by purchasing domestic made film and automobiles: (1) consumer tendency to engage in social categorization, (2) consumer attitudes toward international trade, and (3) their expanded (cultural) horizons. This report first presents a conceptualization that links these three sets of influences with consumer's willingness to buy domestic products versus foreign products..

CONCEPTUALIZATION

Social categorization refers to persons' tendency to aggregate persons into groupings and to differentiate their own grouping from other groupings (Tajfel 1981). Social categorization often leads persons to form stereotypical images of other groups (Riggle 1992) and these stereotypes capsule salient beliefs about groupings of persons; they help persons to simplify and organize their complex environment and to maintain their own set of values (Tajfel 1981). Persons tend to endorse in-groups (their group) and deprecate out-groups (Ray and Lovejoy 1986). Four constructs (conservatism, ethnocentrism, nationalism, and worldmindedness) are proposed to underlie social categorization.

Conservatism reflects support for the status quo, attachment to traditional modes of thought, preference for existing institutions, resistance to social change, and low tolerance for nonconformity (Glamser 1974). Conservatives tend to engage in social categorization, consequently approving of those persons and institutions that are familiar, and disapproving of what is unfamiliar and different (Eckhardt 1991). Because domestic products are likely to be viewed as familiar to them and imports as different, we hypothesize that conservatives should be more willing to buy domestic products.

Ethnocentrism expresses a cultural narrowness, support for what is "like" (typically the in-group), and rejection of what is "unlike" (the out-group). Here, it represents the tendency to judge foreign groups by domestic standards (Forbes 1985). One way to support the domestic in-group and certain of its members and to reject the foreign out-group is to purchase domestic products and resist imported products. Thus, persons who are more ethnocentric should be more willing to buy domestic products.

Nationalism defines the primary in-group as citizens of persons' own nation. Nationalists consider their own country to be paramount (Barnes and Curlette 1985), which means other nations are inferior and possibly threatening to their own country (Forbes 1985). Persons who are more nationalistic should be more willing to buy domestic products.

Worldmindedness identifies its primary reference group as humankind, rather than the citizens of any one country; it favors a world-view of human affairs (Sampson and Smith 1957). Previous research has related worldmindedness positively with a willingness to buy foreign goods (Crawford and Lamb 1982). Thus, worldminded persons would be expected to be more favorable toward foreign products.

The second set of proposed relationships hypothesizes that consumers' willingness to purchase the domestic (vs. the foreign) alternative depends on their feelings toward international trade and their understanding of relevant issues. Six constructs (support for free trade, support for international competition in the American marketplace, salience of the threat to the U.S., support for U.S. policy involving Japan, knowledge of the issue of foreign competition, and familiarity with current trade issues) represent such attitudes toward international trade.

First, during the 1995 controversy, the U.S. accused Japan of informal, structural restrictions on trade of such nature that were not covered by any formal trade agreement (*The Economist* 1995). Overall, the 1995 U.S.-Japan confrontation reprised many of the arguments heard during this country's 1993 debate on NAFTA. At that time, opponents to NAFTA claimed freer trade would allow foreign goods to dominate domestic markets, with the result that many jobs (as well as profits) would be sent abroad. The issue of free trade can be expected to evoke differing degrees of concern among Americans. It seems that persons who are concerned about a predicted outward flow of jobs and profits will not support free trade and consequently be more likely to purchase domestic products.

Second, on a less abstract plane, free trade offers consumers the opportunity to choose from a wider array of offerings. As a result, they may gain lower prices, higher quality, and a variety of other benefits when imports are widely available to compete with domestic offerings. Those who support economic competition that encourages both foreign and domestic competitors in their nation's markets should be less likely to purchase domestic offerings.

Third, for some Americans, free trade may be merely an academic issue. Salience of the economic danger to the U.S. from international trade represents the extent to which persons judge imported products to pose a threat to domestic industries and workers. That is, like the opponents of NAFTA in 1993 (Hanson 1993), some Americans may perceive the damage from foreign competitors to be eminent and very real. Thus, persons who judge the economic threat to be more salient would be expected to favor domestic products.

Fourth, the polarizing rhetoric of the confrontation could be expected to influence many Americans to "pick their side." Those who support U.S. policies toward Japan because they believe the Japanese are treating American firms unfairly could be expected to react by shifting or increasing their allegiance toward domestic firms and products as a means of showing their support.

The next construct, knowledge of the issue of foreign competition, represents persons' claimed understanding of the specific issue of the economic threat posed by foreign businesses and the products they export. Presumably, persons who know less about the subject will act more on emotion than knowledge. Research has shown the importance of cognitions (and emotions) in decisions relating to country of origin (Saimee 1994). However, the evidence does not clearly indicate whether greater knowledge (or emotion) motivates consumers to favor domestic vs. imported products; thus, the sense of this hypothesized relationship between knowledge and willingness to purchase domestic products cannot be predicted.

And finally among the attitudes toward international trade, persons who are familiar with current and recent trade issues should be more sensitized to the underlying issues at hand. However, it may dispose them to be either more or less supportive of American companies. Thus, the relationship between familiarity and willingness to buy domestic products cannot be predicted.

Americans who have led an insular existence may have little knowledge of the peoples of those foreign countries whose products compete with domestic offerings and, presumably, be less open to both those peoples and their products. Conversely, those with culturally expanded horizons should be more accepting of foreigners and of interchange with them. The four constructs (education, number of countries visited, number of foreign languages spoken, and age) introduced in this section represent the concept of expanded horizons.

In general, education is a primary means of gaining an understanding of other peoples and their cultures. Certainly, education *per se* does not guarantee exposure to foreign cultures--and exposure differs with the nature of one's course of study. But it typically enhances the diversity of persons' experiences and disposes them to be more tolerant and accepting of what is different from their own culture (Martin and Westie 1959). More education should result in increased willingness to purchase foreign products.

The understanding of other peoples and their cultures can be enhanced, most obviously by visiting foreign countries. The more countries visited, the more exposure travelers accumulate. More travel should make travelers more disposed to purchase foreign products in their own marketplace. Regardless of how learned, learning a foreign language exposes the learners to the peoples who are principal users of that language. As argued for foreign travel, the familiarity gained by learning to speak a foreign language should dispose purchasers to be more favorable toward foreign products--the more languages spoken, the greater the positive influence on purchase of imports.

Older persons have greater means and opportunity for travel and they have had a longer time to learn a foreign language. However, age has also been linked by previous research to some of the constructs proposed above to reduce acceptance of foreign cultures (Glamser 1974). Empirical research has also shown country of origin is more important to older persons (Gipson and Francis 1991). On this basis, age should influence purchases, but these conflicting rationales dictate that the direction of relationship cannot be predicted.

The preceding arguments, presented in the context of predicting bivariate relationships, also lead to the multivariate hypothesis of a relationship between a willingness to purchase each of the products (film and autos) made in the U.S. and the set of fourteen proposed explanatory variables taken collectively.

METHOD

Data were collected using a survey of 232 adult residents of a major western metropolitan area. A quota sample matched the number of respondents in twelve age-and-gender groupings to their incidence in the most recent census. The survey took place in the summer of 1995, during the period when the dispute with the Japanese government was most vociferous. Interviewers administered self-completion questionnaires; these interviewers' presence served to increase respondents' cooperation, answer their questions, and monitor their participation. Film and automobiles were used as a point of reference for the construct willingness to purchase domestic products. In general, the constructs introduced above were operationalized using multiple items and a six-point Likert format. The measures used were originally based on the specialized work of earlier researchers that established their reliability [e.g., Worldmindedness from Sampson and Smith (1957)], but most were refined through previous use by the authors. For the multi-item scales (with the number of items in parenthesis), Cronbach's α 's were: Buys American film (3), .70; Buys American autos (3), .68; Conservatism (3), .72; Ethnocentrism (5), .84; Nationalism (5), .78; Worldmindedness (5), .75; Salience (5), .78; Support for free trade (8), .78; Support for competition (2), .57; Familiarity with the issues (4), .79; Support for U.S. policy involving Japan (3), .64; Knowledge of the issue of foreign competition (5), .82. Speaks foreign language asked the number of languages in which conversant, Number of foreign countries visited queried that number, Education was measured as years of formal schooling, and Age was an open-ended question. Given the continuous nature of the variables, bivariate correlations and multiple regression were used for analysis. Correlations were used to test the fourteen hypothesized relations between Buys domestic (film or autos) and the constructs taken singly. Forward stepwise regression was used to additionally test the multivariate hypothesis of a collective relationship between Buys domestic and the proposed explanatory variables taken as a set. This latter form of analysis serves to provide results that are relatively free from the anticipated effects of multicollinearity.

RESULTS

First considering the results of the correlation analyses, ten (the same ten for both film and autos) of the fourteen relationships expected between Buys domestic products and proposed explanatory constructs are supported. The purchaser who favors domestic products, both film and autos, is more likely to be ethnocentric, nationalistic, opposed to free international trade, opposed to competition in the domestic marketplace, apprehensive of a salient economic threat from imports, supportive of a get-

tough U.S. trade policy vs. Japan, less educated, able to speak fewer foreign languages, having visited fewer foreign countries, and older in age.

Looking next at the results of the stepwise regression, in the case of film, six variables enter the highly significant ($p=.000$) stepwise regression equation at $p<.05$, giving $R^2=.39$. In decreasing order of their beta coefficients, these variables describe the person who is more willing to buy domestic film as perceiving that the economic threat of imports is salient, opposed to competition in the domestic marketplace, nationalistic, ethnocentric, familiar with current and recent trade issues, and supportive of a get-tough U.S. policy vs. Japan. Five variables enter the highly significant ($p=.000$) equation for autos, producing $R^2=.40$. This equation describes the person who favors domestic offerings as more apprehensive of a salient economic threat from imports, ethnocentric, opposed to free trade, familiar with trade issues, and opposed to competition in the domestic marketplace. Four of these five variables (all except opposed to free trade) also enter the equation for film. The multicollinearity inherent in regression analyses is obvious in these results. In particular, it appears the (weaker) contribution of the four expanded horizons constructs sufficiently overlaps the (stronger) contributions of the social categorization and attitudes toward international trade constructs that the former cannot make an additional, distinctive contribution to explaining purchases.

DISCUSSION

In general, the findings support the proposed relationships between consumers' willingness to purchase domestic film and autos and three sets of proposed explanatory variables. The set of attitudes toward international trade performs best, but this set also contains the most constructs. Clearly, consumers who are concerned about the threat to their own economy posed by foreign "invaders" are more willing to join the American "home guard." This menace to their nation was clearly communicated by the rhetoric that appeared in the media during the summer of 1995 and American commanders in a trade war would do well to recruit from those persons who most fear an economic threat. In consistent fashion, persons who support their nation's "get tough" policy vs. a nation believed to be an economic enemy will also be more likely to do battle. Conversely, persons who favor free trade and strong competition in the domestic marketplace are unlikely enlistees. These persons would thus prefer to serve their own needs rather than their nation's economy. Their pragmatic belief that international competition will benefit would-be combatants and non-combatants alike apparently outweighs even their corresponding devotion to the philosophical cause of free trade.

Knowledge of the issue of competition from foreign products does not affect purchase in the aggregate. Apparently, either (1) greater knowledge does not affect consumers' preference for film and autos in general, or (2) such knowledge stifles acceptance of imports for some persons and represses acceptance of domestic film and autos for others. As a result, in the aggregate these influences cancel the effect of knowledge. Familiarity with current trade issues seems to stimulate greater allegiance to their nation's economic forces for only a relatively small segment of persons.

Two social categorization constructs, Ethnocentrism and Nationalism, provide a particularly useful, but likely politically incorrect basis for encouraging economic supporters. From a research standpoint, given the success of Ethnocentrism and Nationalism, it is surprising that Worldmindedness does not provide a basis for identifying potential fighters. Apparently, the concept of having only one political unit for the entire world springs from a different conceptual basis than the other two constructs. Or, perhaps the concept is little understood by the public in general.

Three of the expanded horizon constructs seem to motivate potential combatants to defect from the domestic camp. Persons whose horizons are expanded by education and exposure to foreign cultures are more accepting of imported products. However, it appears older persons would form the core of the American economic home guard. In this sense, Age seems to act more like the social categorization constructs that dispose persons toward a willingness to buy the domestic alternative. Of course, Age per se does not cause a preference for domestic products. Rather, the relationship reflects the nature and timing of the socialization received by persons of varying ages. In addition to the remarkably close similarity in the two sets of bivariate correlations computed for film and autos, the regression results are also similar for both products. These latter results support the notion that the influences on consumer's propensity to Buy domestic are not product specific. Of course, the particularly heavy media attention devoted to foreign competition for both film and autos in 1995 may be responsible for the similar results for these two products.

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WORK FORCE DIVERSITY MANAGEMENT STRATEGY: A CATALYST FOR GLOBAL MARKETING COMPETITIVENESS

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ABSTRACT

This paper builds upon the literature on global marketing strategy and work force diversity management strategy to draw linkages between the two. The overall hypothesis is that work force diversity management strategies can provide a catalyst for developing effective global marketing strategies. The assumption is, a company that assertively cultivates work force diversity management strategies is better equipped to manage the issues associated with global marketing competitiveness. This, in turn, gives the “diversity oriented” company a global competitive edge over other companies.

There are numerous diversity management issues that can be transformed into global marketing strategies. They include understanding the cultural dimensions associated with product demand, developing appropriate products and services, identifying cultural dimensions for particular countries, increasing innovation in marketing to diverse cultures and improving upon or stabilizing the firm’s reputation among the global consumer base.

Previous literature has analyzed organizational competitiveness as a function of a variety of constructs. Those constructs include corporate culture, marketing strategies, and more recently, diversity management strategies. However the literature does not link work force diversity management and global marketing strategies.

Competitiveness in general is an illusive concept among scholars, business executives, and government policy-makers. Global competitiveness has been studied at the firm level and national levels. However, full consensus on its meaning has yet to become a reality. For the purpose of this paper, a U.S. company that is defined as being competitive in the global marketing arena is one that ranks among the top 100 companies in worldwide sales and is ranked high in percentage income derived from foreign markets. Medium sized firms whose export sales are at least 10% of overall revenue would also be considered competitive in the global arena.

Global competitiveness is an important issue for U.S. businesses due in part to the proliferation of business in the global arena. In the 1980’s, the US went from being the world’s largest creditor to the world’s largest debtor. U.S. manufactured exports decreased approximately 9 percentage points between 1960 and 1987. In 1997 versus 1996, the U.S. went from number one to number three in the World Economic Forum’s, “Global Competitiveness Report.” The countries ranking numbers one and two were Singapore and Hong Kong respectively.

The aforementioned state of competitiveness for the U.S. in general has made it imperative that U.S. based firms conducting business in the worldwide economy become extremely adept at operating in global markets, which are, by nature, culturally diverse. Moreover, because of the future global consumer base and labor force compositions, the geographic regions in the world representing the most aggressive growth opportunities will be those with non-Caucasian populations.

Work force diversity management also lacks a universally accepted definition among scholars and practitioners. In the context of this paper, diversity management is defined as proactively establishing goals and objectives that help “all” employees perform at their optimal levels. This means that a company’s practices for attracting, hiring, training, retaining and promoting employees, incorporates a policy of valuing and leveraging the talents of all employees, irrespective of the “differences” in their demographic characteristics.

The term “differences” is meant to encompass disability, race, age, gender, nationality, sexual orientation, and lifestyle. Companies that “value” differences in employees would demonstrate, throughout all ranks of the firm, a commitment to cultivating a diverse work force.

The U.S. Labor Department commissioned the Hudson Institute in 1987 to analyze the demographic trends in the U.S. work force. Its outcome, now known as “Workforce 2000,” concluded that by the year 2000, 85% of new entrants into the work

force would be comprised of minorities and women. Therefore only 15% of the new entrants would be white, native-born males. The report further contends that the emerging U.S. labor force in the new millenium would be 47% female and 26% minority.

Successful management of work force diversity strategies can be leveraged in numerous ways. Those include using the strategies for building a domestic work force as a template for recruiting multicultural work forces in countries that have sites for the multinational. Furthermore, leveraging the input from a multicultural work force can result in improved marketing strategies in other countries. In addition, the change in the overall operations of a firm that leverages a diverse work force can create an atmosphere of enlightened creativity that permeates the firm's operations.

The heterogeneity of the U.S. work force is analogous to the diversity of the populations in the global marketplace. U.S. corporations' abilities to manage and capitalize on that human resource diversity can translate into strategic and competitive advantage. The diversity in the U.S. employee base provides a "built-in" laboratory for creating effective global marketing strategies. Diversity management practices can serve as the template for developing global marketing strategies.

One of the challenges to a company in "valuing diversity" is that it is often considered a "fad" that will diminish when another formidable human resources issue is elevated to consideration. Fortunately, indications have been that industry executives recognize that diversity management is a business strategy issue that can determine a company's competitiveness and is therefore, simply good management.

MARKETING IMPLICATIONS OF REGIONAL INTEGRATION IN THE MERCOSUR

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ABSTRACT

The regional integration process, low inflation and high GNP rates for the next years, are attracting new international players in the Mercosur's countries. The entry of new international companies is implicating the development of new products and services, innovative advertising strategies, important changes in the consumers through high value products and, new distribution channels that are developing a new relationship between manufacturers and retailers, through the use of high tech retail tools, and new marketing strategies, close to the concept of "one to one retail marketing."

INTRODUCTION

At Brazilian supermarket *Pan de Azucar*, daily grocery specials aren't just advertised in the newspaper. The chain's internet web site offers sameday delivery of groceries to its growing numbers of cybershoppers. On Argentine beaches, like Mar del Plata and Pinamar, cellular phone salesmen hawk their wares at booths offering free soft drinks and complimentary salsa lessons for new recruits and established clients. It's all part of Mercosur new shopping spree. As governments have beaten down the inflation and whipped economic growth, purchasing power has surged, from working-poor neighborhoods to affluent enclaves. Multinational companies are hitting the region with a marketing blitz. Their target is the 200 millions of consumers and the attractive demographics: almost half of the population is younger than 20. Hooked on new technology, these new consumers are eager to tap into global trends from fast food to fashion to PC banking.

Falling trade barriers and better communications are weaving the Mercosur's once disparate countries into a more uniform market. And nearly a decade of gradual economic improvement has raised expectations and awakened a new desire to consume. (Businessweek, 1998).

The two biggest's Mercosur countries -Argentina and Brazil- are using the regional partners as a head zone, for the internationalization of products and services to the rest of Latin American and the world. Brazil is usually considered as the "Mercosur's pretty girl", because it is the owner of a 160 million internal market (Argentina, only 33 millions). This is the reason why multinational firms prefer to invest in that country. But, Argentina is also an important market. The Convertibility Programme, stopped the high inflation. Nowadays, Argentina presents high GNP growth rates for the futures years and high habits of consume in sophisticated goods. Brazil, the biggest market, shows that its companies produce a real influence on the other Mercosur's countries. Nowadays, Argentina's companies are starting subsidiaries in Brazil. This process is new because : first, Brazil is strong affected by the Asia's crisis-the rice effect-. Second, Brazil's market need high volume of product for a market of 200 millions, while the biggest Argentine's companies are only centered in a 30 millions market. This is the case why exists only few cases of Argentine's companies installed in Brazil, in a successfully way. The most important companies in Brazil, have designated strategies to sell their products in Argentina, with the paradigm that the custom union that conforms the Mercosur is an unique market. Argentine's companies, are centered in a common marketing strategy for the whole country. In this point, the principal advantage of the Brazilian companies is the diversity of products and regions that exists inside Brazil. They produced different products for different regions.

The points developed before, are the objective of this paper: the regional integration process and the new economic landscape are impacting in the companies and consumers in the region. Mercosur is a very interesting case due to the uniqueness of the delicate balances between the countries involved and especially, because is the first successfully example of regional integration among developing countries.

The rest of the paper analyze some of the principal marketing strategies developed in the Mercosur as a consequence of the regional integration process.

PRINCIPAL MARKETING IMPLICATIONS

More Products and Services: Customer Satisfaction and High Customer Loyalty

In the Mercosur's biggest countries, Argentina and Brasil, the eradication of triple-digit inflation rate has prompted another big marketing play, this one in financial services. Steadier currencies are making it possible for banks to offer consumers home mortgages, life insurance, and private pension funds.

The entry of Brazilian banks in Argentina, changed the old rules of the game. Until Brazil's ITAU -one of the most important Brazilian's banks-, crossed the border into Argentina in 1995, local banks gave notoriously bad service. *ITAU* developed a new way to do business, the bank "without papers", plus customer service as the principal message. The entry also has produced a real change in the holders of the principal banks in Argentina. Nowadays, only one of the big six banks continues in national hands, this is the case of *Banco de Galicia*-3rd. bank in Argentina- (Revista Prensa Economica,1997). In this sector the most important changes are developing in the customer satisfaction; specifically to improve bank services, through the electronic bank, a subject where Brazil is more advanced.

The credit card companies are also putting plastic in the wallets of hundreds of thousands of first-time cardholders. The credit card boom is making it a global testing ground for new products such as intelligent cash cards that can be loaded with extra funds at automatic teller machines. In Argentina, Visa is testing a card designed for small charges, such as fast food, that is co-branded with *McDonalds*. (Businessweek,1998)

New and Innovative Advertising Strategies

Other important service area that present special marketing strategies is the health care sector. For example, the *Amil Group*, the first health care program in Brazil, uses the Argentine's cable TV for first time to advertise its program. The company has decided to hire Argentine's managers to improve the idiosyncrasy and the adaptation process. The marketing message was "color and image", a new and aggressive marketing strategy for this conservative and classic business sector. In this context, they have developed a campaign with helicopters, a new style in the traditional Argentine market, and was at the same time, very exclusive. They are using Buenos Aires city (Argentina) as the head city to launch *Amil*, to the rest of the Latin American and especially to the rest of the Mercosur.

The Change in the Consumption: New High Value Products, Local Adaptation and Deep Changes in the Product Mix.

Another example, is the arrival of the *Sadia Group* in Argentina. *Sadia*, is one of the Brazilian leader grocery manufacturer. They introduced the first *Sadia's* products through a joint venture with a local leader partner. They have developed a new marketing concept in a particular country like Argentina. They didn't compete by price, they preferred to compete by service. This message is a new concept in Argentina, after 40 years of high inflation. *Sadia* is trying to improve the distribution channels services and expanding it to the final customer. *Sadia*, is also focusing the strategy in a different product, the "*Linea California*", the first food meat based in turkey. Argentina, is one of the highest cold meat per-capita consumer, but *Sadia* has adapted the products to the Argentine style, through a product with high nutritional value with successfully results. This is the core marketing plan: more value (nutritional) and more services (different packaging and variety of products) adapted to the local style.

International Mind

The above strategies developed, have generated new marketing strategies in the food sector. *Molinos of Bunge Group*, -an international group, with presence in more than 20 countries- has changed the packaging and the mix of products. *Molinos*, the number one in Argentina's food sector and one of the principal exporters in the country, has developed an international strategy recently. This point, the international presence, is a real weakness for the Argentine's companies. Nowadays, *Molinos* is centering the marketing strategy in the developing of new products, plus introducing international brands in the Argentine market, trying to gain market share. *Molinos's* export strategy is centered in the Mercosur, and especially in Brazil. This is because in the high

Brazilian food market, is where the Argentine's firms have a real competitive advantage in this sector. This is one of the few sectors where Argentine's companies have high possibilities to introduce and develop branches in the Brazilian market.

Sadia, has developed a marketing strategy centered in the global market through products of international quality (ISO 9000 certification). The *Sadia's* international experience is another example of the successfully factors in the Mercosur market. In Argentina, the examples of international success in the food market are centered in *Molinos* and *Arcor* (the world's biggest candies manufacturer), with plants in 7 countries.

International Marketing Brands are Reducing the Product Life Cycle

Another example is the arrival of *Cadbury* and *Nabisco*, two world heavy players, that are transforming the Mercosur's food sector. New products, international brands and global advertising, have produced a new generation of marketing strategies in the local players, like *Arcor*, the world's leader candy manufacturer, which is creating new products and brands each month, plus an aggressive export strategy to compete in the global market.

Building Brands with non Traditional Media Advertising

In the fierce competition for sales in Mercosur's biggest beer market, *Brahma*, Brazil's leading brewer, misses few chances to score marketing coups.. The prize is a beer market that has been sharply expanded, in Brazil and most of the Mercosur, by free market reforms that have revived economies and stoked consumer spending. Rising Brazilian beer consumption, up 20% per year, is spurring rapid expansion by brewers such as *Brahma*. The surge is attracting major American and European brewers searching for room to grow abroad.

To capture a share in that growth, *Miller* has joined forces with *Brahma*. In 1995, *Miller* signed a 50-50 joint venture with *Brahma* to market and eventually produce *Miller* beer in Brazil. The agreement, which covers all of South America, is key in *Miller's* strategy for the region. (Businessweek, 1996).

Brahma, has entered in Argentina to compete with the Argentine's most popular beer, *Quilmes*. The principal challenge was to adapt the packaging, from one litre bottles (the most compete segment) to 600 cm³. bottles. In this way, *Brahma* built a 150 millions of dollars plant, close to Buenos Aires city (Argentina). Nowadays, *Brahma's* strategy is centered in the distribution channel, and the merchandising of the different products in the supermarkets and discount stores, plus an important budget in advertising and promotion. They has also said, as other Brazilian companies, that "Argentina would be the head zone to launch the company to the rest of Latin America" (Apertura, 1997). The core *Brahma* strategy was to develop a non-traditional media advertising. They centered the advertising budget in the sponsoring of sports' games, with the objective to obtain high identity with the product. But *Brahma* has to compete with the entry of heavy players in the international market: *Isenbeck* and *Budweiser*. So, they are developing a new type of advertising in developing countries: advertising with famous people, -especially soccer players- that teach the danger of alcohol beverages consumption.

The arrival of new international players, implicates new marketing strategies, for the local players. This is the case of *Quilmes*, that had to investigate new niches, and had to sponsor the sports games (in Argentina, the soccer t-shirts is an example, which was only sponsored by *Nike* or *Reebok*). *Brahma* didn't obtain more market share, but the *Brahma's* strategy was centered in the important growth that anticipated the Argentine's beers market through a more open economy.

Brazilian firms like, *Brahma*, say: "Argentina, we are here. Latin America, we are going".(Revista Apertura, 1997)

Customer Loyalty

Another sector that is modifying their strategies is the airlines industry. In the first months of 1997, *Pluna*, the Uruguay's leader airline, has developed a program with *American Express*, through *Smile*, a frequent shopper program, trying to attract Mercosur businessmen with flights between Argentina, Brazil and Uruguay.

Aerolineas Argentinas, the biggest player in the Argentina airline industry, also uses a frequent flyer program, *Aerolineas Plus*, that nowadays, has *American Airlines* as the big partner.

New Distribution Channels: From Supermarkets to the Discount Stores

Mercosur, a low intensity retail battlefield until 5 years, may be on the verge of full-scale hostilities. *Wal-Mart*, the aggressive American chain, has ratcheted up the discount competition by opening its first outlets in Argentina and Brazil. The free-spending consumers are a welcome boost for the giant retailer as, faced with fierce competition at home, it seeks growth opportunities abroad. But shock waves are already reverberating through retailing in the region under the impact of *Wal-Mart's* strategy of relentless price competition. In Mercosur, the strategy is pushing other retailers, including discount chains owned by France's *Carrefour* and Holland's *Makro*, to do more volume-based buying and put top priorities on customer service, inventory management, and product mix.

Wal-Mart is heating up the competition with such policies as matching any published price and even posting competitor's price for comparison. There is room for price-chopping because decades of inflation have left a legacy of fat mark-ups.

An important process of mergers and acquisitions, with or without international players produced a real change in the retailing industry. Nowadays, hypermarkets and discount stores are fighting to retain customers, through the development of aggressive customers clubs. Another strategies that are developing, are a change in the mix of products, to goods with high added value and low price, that implicate the generation of new distribution channels in the Mercosur, from traditional drugstores and supermarkets to important discount stores.

At this moment, a Brazilian retailing player in Argentina, like *Pan de Azucar*, the leader Brazilian retailing player, and any Argentina retailer in Brazil, like *Norte* hasn't arrived yet. May be the presence of heavy players, like the French giant *Carrefour*, the Holland's *Makro* or the arrival of *Wal-Mart* stores few years ago, that is opening an important number of *Sam's Club* in Brazil and Argentina, that has stopped new entries of local firms in other Mercosur countries.

This regional integration and the globalization of markets allow the presence of new products and more variety of them. Also, the absence of inflation, produces an impulse to buy new products, time to choose new packaging, colors and flavors. Food and cosmetic products are the first in registering this process of improvement, the consequence of the regional integration and the retailing globalization process. This process reduces the product cycle, and develop new marketing strategies to maintain the loyalty of traditional brands. As a consequence, the balance power is more inclined to the distribution channels. But every day, the consumer knows all the products. So, the success is centered in an efficient mix of products and brands for the different segments. An in this process the new king are the scanners, the database analysis and the frequent shopper cards.

But the future announces a balance, because the manufacturers are those that can introduce new products, following and creating the consumers trends. This mean, that the regional integration process implicates a strong relationship between manufacturers and retailers, to anticipate the changes in consumption. In this way retailers generate a long term competitive position. This long term view, allows to build future products and brands, and not centered the retailers fight, only in lowest margins.

Retailers vs Brands: The Development of Own Brands

Another important point is the existence of more loyalty to retailers than to the brands. This argument implicates that manufacturers have the brands, but retailers the customers. So, the retailers exhibit different products and brands among the stores of a same chain, trying to satisfy the different market segments. This mean the development of a "one to one retail marketing" concept. The EDLP (every day low pricing) strategy, also implicates low margins and the development of new marketing strategies. An example is the internal dumping process in this sector. Nowadays, all Mercosur retailers are developing their own brands, trying to improve customer loyalty and increase gross margins. Another important consequence of this process is the small

difference between first and second brands, in average 15% to only 5%. The coordination and collaboration among manufacturers and retailers will be the retailing successful factor in the Mercosur for the next years.

CONCLUSION

To conclude, the research has found that the regional integration process developed the following marketing implications:

The integration process has produced the entry of multinational players, with advanced international marketing strategies. Some of the strategies were adapted to the local markets and others developed a new market, especially in marketing services. Furthermore, local players are moving to other Mercosur's countries looking for new markets and trying to develop an international image.

The globalization of the markets, has announced a new era in the distribution channels relationship, the use of advertising and promotions.

It's so difficult to develop a marketing strategy for the Mercosur's partners in Brazil. It's impossible to use a unique strategy, because Brazil is a dual economy: the center and the periphery, with deep differences in habits and principally in the per-capita income. This point, plus the size of the market, are the principal troubles of the Argentine's firms to enter in the biggest Mercosur country.

According to the products, the Argentine's consumer is more sophisticated, because it has a high per-capita income, plus more uniform markets inside the different regions of the country. This point makes the entry of some Brazilian products in Argentina very difficult, especially in the food sector. But this is the unique successful competitive advantage of Argentine's companies to enter in Brazil.

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DATA QUALITY AND DATABASE MARKETING

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ABSTRACT

The objective of this study is to elaborate on the role of DBM in marketing strategy, identify data quality barriers, and to discuss ways of improving data quality. The paper is organized accordingly: (i) Marketing and DBM, (ii) Data Quality Issues, (iii) Data Quality Management, and (iv) Conclusions.

INTRODUCTION

Database marketing (DBM) and the allied concepts of relationship marketing and one-on-one marketing are using information technology (IT) to gather and sift through enormous amounts of transactional information and other marketing intelligence to bring the customer into ever sharper focus. Combined with other customer oriented advances such as mass "customized" manufacturing, it is at least theoretically possible to find a customer, for example, for a finely tailored suit, and to deliver the product to the busy executive's office within several days of its order.

This is not far-fetched. To succeed in today's global business environment, companies must be able to provide their customers with value and highly competitive service. Success will require personal knowledge of customers and their needs (e.g., Shermach, 1995 and Hinman, 1996), and to achieve this, companies are increasingly adopting DBM as a strategic tool to drive the marketing activities of a company. Information technology is thus fundamentally changing how a company interacts with and serves its customers.

There is, however, a major impediment for the effective implementation of DBM that is an old nemesis - poor data quality. There are many ways for data in a database to be in error. The quality of customer data may be poor because it does not reflect the real world, or it may not be easily used or understood. "Poor quality customer data can cause immediate economic harm and have a more indirect, subtle effect" (Khalil and Harcar, 1997). Marketing managers, unaware of the quality of the data they use, may assume that the adoption of IT makes it "perfect information." The benefits of DBM can only be fully realized, if sufficient consideration is given to the quality and quality management issues concerning data in databases.

MARKETING AND DBM

The buyer/seller relationship has changed significantly over the past century. Pre-twentieth century store owners built one-on-one relationships with their individual customers and knew and remembered every one of them. In the early 50's marketing made a quantum leap, re-discovering the customer as an individual. Companies oriented to customers and "differentiated" their products to appeal to "market segments" – homogeneous sub-sets of customers with common needs. But with rapid advances in IT and software that can store and interrelate data, one-on-one marketing has been re-born in a new era. Moreover, fierce competition is forcing marketing managers to rethink relationship marketing and to seek ways of building long term relations (e.g., Gronroos, 1990; Shani and Chalasani, 1992; Woods and Remondi, 1996). Thus, the practice of DBM started in the 1980s and continues to rapidly grow in the 1990s (e.g., Brachman, et al., 1996; Strategic Research Corp, 1997).

Companies hold enormous amounts of data about their customers, but typically know very little about them. By using today's sophisticated database technology, DBM turns this raw data into useful, intelligence information. Techniques such as statistical regression analysis, data mining, appending of data overlays and predictive modeling using neural network technology, transform raw data into powerful analytical and decision-making tools that are unique to the company. DBM is based on the premise that not all customers or prospects are alike and that by gathering, maintaining, and analyzing detailed information about customers or prospects, marketers can identify key customer segments within their data files and key prospect segments within acquired outside data, and modify their marketing strategies accordingly. In other words, the entire marketing strategy mix is effected by DBM.

The Process and Data Quality Issues:

While each company will, by necessity, handle things a bit differently, the first and foremost action in DBM is building a database or warehouse of databases by gathering both internal company data and external data about industry, competition and customers. Once databases are established, data in the databases need to be managed. Relevant data is coded with those customer attributes deemed to be important. Coded data is then used to search for trends and interrelations of sales and customer behavior. Effectively managed data gives a company a “memory” that enables it to target the right customers at the right time about the right products (e.g., Foskett, 1997). In other words, DBM is not only communications and promotion related, but helps in all of the “utilities” of marketing.

DBM offers several other benefits that support the marketing effort: (i) it helps spend marketing funds cost effectively, since these funds are concentrated on the company’s current customers and very best prospects (e.g., (Cats, 1996; Swanson Russel Associates, 1996); (ii) it improves customer relationships and increases customer loyalty; (iii) it enables marketing managers negotiate more effectively in the budgeting process, since the results from most DBM activities are measurable; and (iv) it serves as a research tool as well as a communications tool.

Although the benefits of DBM are immense, they can only be fully realized, if databases contain high quality data that can be properly analyzed and effectively used. Without quality data, DBM will lose its very function of providing marketers with meaningful patterns and trends. Customer data is never perfect. Errors creep in through inaccurate self-reporting by consumers or during data entry and compilation. Consequently, poor data quality can easily render DBM less effective.

Since data is critical to the DBM process, the quality of such data should be continuously measured and its suitability assessed. Generally, quality is related to conformance to specification and fitness for purpose. Using this view, high-quality data is defined as data that is fit for use by data consumers (Strong, Lee, and Wang, 1997; Wand and Wang, 1996; Armstrong, 1994). It follows that data quality problems are any difficulty encountered along one or more quality dimensions that renders data completely or largely unfit for use (Strong, Lee, and Wang, 1997).

Wang et al. (1993) proposes four quality dimensions for data: (i) accuracy, occurs when the recorded value is in conformity with actual; (ii) timeliness, occurs when the recorded value is not out of date; (iii) completeness, occurs when all values for a certain variable are recorded; and (iv) consistency, occurs when representation of all data value are consistent. Other dimensions of data quality that have been identified include data validation, availability, traceability, and credibility. The quality issues of data thus vary depending on the type of data and the purpose to which it is put.

There is substantial evidence that the quality of data in a company’s databases or data files may often be quite poor and a major source of errors and losses (Orman, Storey, and Wang, 1994). For example, more than 60% of surveyed firms (500 medium-size corporations with annual sales of more than \$20 million) reported problems with data quality (Kiely, 1992). Also, Hardjono (1993) reports that 60% of information systems (IS) managers have poor data. Yet, relatively little attention is given to the issue of data quality.

In a Wall Street Journal report: “Thanks to computers, huge databases brimming with information are at fingertips, just waiting to be tapped. They can be mined to find sales prospects among existing customers; they can be analyzed to unearth costly corporate habits; they can be manipulated to divine future trends. Just one problem: Those huge databases may be full of junk. ...” (Wand and Wang, 1996).

In a major transportation company, 77% of the reasons for incorrect delivery and, consequently customer dissatisfaction, were related to erroneous data, missing data, mistrusted data, or the inappropriate use of data (McGee, 1992). Additionally, in two commercial databases that contain contact information for companies operating globally, between 40 and 48 percent of the records contained errors in either the address or the telephone number while a further 15 to 28 percent could not be verified (Armstrong, 1994). In constructing its data warehouse, a firm discovered that it had as many as 17 account numbers for one customer and eight different ways of spelling that customer’s name (Foskett, 1997).

It is common among subsidiaries within the same firm or among different firms in one country or in a number of

countries to have dedicated information systems, each with its own user interface, data model, specialized operations, and storage organization. In this case, while sharing and exchanging data between the participating organizations and coordinating this information is critical (Silberschatz and Zdonik, 1996), the existence of many heterogeneous databases makes sharing data rather problematic.

Furthermore, the data that are created by one group (e.g., sales personnel) in one part of the world could be used for decision making by another group (e.g., marketing managers) thousands of miles away. In other words, data that are gathered for a one business purpose and intended to be stored in a single data base may actually be used for many business purposes and replicated in a number of databases and used by multiple users (Huh et al., 1990). While the initial user(s) of the data may be fully aware of the meaning of the various data items, the other users may not. Consequently, data can be easily misinterpreted.

If asked where data quality problems occur, many marketing managers would probably reply, in data entry. However, analysis reveals that data quality problems may occur at every stage of the “data life cycle”, in any part of a business process including that of DBM, and for a variety of reasons. Below are data quality problems categorized by the sources from which they arise - creation, analysis and application - and some potential causes (Firth, 1997):

4. Creation and use of the database itself – causes of quality problems:

- Database Design: Record and field definitions are too loose, unstructured or not normalized. Schema lacks sufficient validation, and integrity rule
- Data Aging: The company cannot track the age of data, or has no program to update or enrich data
- Lack of customer response: Data never fully captured. Customer form is badly designed, or no incentive is given to customer to offer response
- Fraud: Physical and logical system security is lax or compensating controls are absent
- Input Error: The system input method is badly designed, or lacks automatic validation

Human errors easily introduced.

- Business Rules: System requirements lack adequate or current reference to business rules for data
- Incorrect Attributing: One attributer may be confused with another. For example a person’s age may be confused with their birth date
- Reference Frame: The data may not be relevant and its measurement carried out inaccurately.

2. The data analysis/mining process- causes of quality problems:

- System conversions, migrations or reengineering: Inadequate data quality testing on the conversion process. Conversion programs introduce new errors. Reengineering does not consider data context.
- Heterogeneous system integration: Data is inconsistent or contradictory across systems. Inadequate data quality testing on integration
- Post integration of heterogeneous systems: Data remains inconsistent or contradictory across systems. Subtleties of poor data quality arise as new scenarios develop
- Production software: Software requirements relating to the analysis software were incomplete or errors were introduced in the development process. Lack of applied software engineering or production controls
- Systems internationalization: Overlapping or inconsistent interpretation or usage of codes, symbols, formats due to national differences

3. The application and interpretation – causes of quality problems

- Policy and Planning: Lack of management attention to data quality management

- **Misinterpretation:** The marketer may fail to interpret the meaningful patterns and trends correctly. This is because data customers may differ from data producers (Morril, 1996)
- **Misapplication:** The marketer fails to make correct use of the information by wrongful implementation in terms of business strategies and tactics.

Data Quality Management:

Data quality in a conventional database system has been treated implicitly through functions such as recovery, concurrency, integrity, and security control (Wang et al., 1993). These functions are necessary, but not sufficient, to ensure data quality in the database from the data consumer's perspective. In general, data in a database is normally used by a range of different organizational functions with different perceptions of what constitutes quality data in terms of its quality dimensions (e.g., accuracy, completeness, consistency, and timeliness). Therefore, data quality must be calibrated in a manner that enables consumers to use their own yardsticks to measure the quality of data. Unfortunately, the existing database management systems (DBMS's) lack the capability of explicitly representing the quality of data or allowing consumers to measure such a quality.

In order to improve data quality, two interrelated activities have to be considered (Wand and Wang, 1996). Concern must be given to design, development, testing, maintenance software, and the training of users. In the case of DBM, concern must be given to the implementation of the database and the application of analytical software that will excavate meaningful patterns and trends from that data, apart from storing and retrieving it. And secondly, activity that should be considered by any data quality improvement efforts is the production and distribution of data. This activity involves data originators, data distributors and data consumers, and comes into play when creating the database. This cycle revolves around the sources that generate data, the elements that distribute this data and the users of this data. These two activities are important factors that form barriers to data quality, comprising the areas where most data quality issue arises.

Finally, Wang et al. (1992) propose three general factors that should be considered in the data quality enhancement process:

(i) The definition and measurement of data quality. This is essential in uncovering errors in collecting, storing and distributing data, especially at the database level. Although intuitively understandable, the notions of data quality measurement and clear definitions of data quality are not well defined in current practice.

(ii) An analysis of the economic impact of data quality. Such analysis should address the relationship between high quality data and the successful operation of the business; and alternatively, how low quality data may impact the business. For example, in a transportation company implementing DBM by creating a database of their customers to target sales, poor data quality and usage of the database can become the cause of a large percentage of the delivery misses which in turn can result in a corresponding loss of sales.

(iii) (Continuous) improvement of data quality through both technical and managerial solutions. Solutions can be grouped into three interrelated categories: business redesign, data quality motivation, and use of new information technologies. Business redesign attempts to simplify and streamline the DBM operation to minimize the opportunity for errors. Data quality motivation focuses on how rewards, benefits, training, and perceptions may encourage improved data handling and application by members of the organization. New information technologies give improved procedures for data capture, processing and mining.

CONCLUSION

DBM as a strategic tool can drive the marketing agenda of the organization. It fundamentally changes how the company interacts with and serves customers. Data quality, however, is crucial to the effective implementation of DBM. Without quality data, DBM will lose its very function of providing marketers with meaningful patterns and trends based on timely, relevant and accurate data.

We propose a strategic framework for data quality improvement efforts and suggest that a continuous improvement program should consist of the following essential steps:

- Identify a vision and objectives for data and data quality as part of the strategic planning process and its implementation. Establish a relevant business and marketing information agenda focused on “actionable” data.
- Clearly identify or establish the database marketing function in the organization and the cost-benefit implications of DBM and data quality
- Create and maintain relevant databases using acceptable sources and formats of internal and external data flows.
- Establish organizational responsibility within the DBM staff for data quality, training of personnel and quality improvement.
- Set data quality standards using the dimensions of accuracy, timeliness, completeness and consistency (Wang et al., 1993).
- Select data mining and analysis software that supports the data and data quality vision, the marketing information agenda, or increasingly to support Enterprise Resource Planning (ERP)
- Establish procedures and monitor for effectiveness and data accuracy at common junctures of data creation, analysis and application (Firth, 1997).
- Implement system and data quality (continuous) improvement activities (e.g., data entry, process control, system redesign, etc.) (e.g., Wang et al., 1992; Wang, et al., 1994).

In the information age, the old adage “knowledge is power” needs to be tempered. It is the successful “application” of knowledge that will give it power. And, to achieve this, we need quality data that profitably supports strategic and information needs, or it becomes “garbage in, garbage out.” An all too familiar disappointment when computers were first looked upon as a panacea.

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AN OVERVIEW OF DATA MINING AND MARKETING

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ABSTRACT

We present an overview of the developments taking place for the analysis of large and complex databases under the umbrella of Knowledge Discovery in Databases and Data Mining. These methods are gaining popularity as a result of traditional statistical methods not scaling up to the needs of analyzing large databases, as well as for reasons of user-friendliness, i.e., the need for the analysis to be performed by the end-users themselves, often in real time.

INTRODUCTION

It has been estimated that currently the size of the world's data is doubling every 20 months (Frawley, Piatetsky-Shapiro and Matheus 1991). The size of data in companies has moved very rapidly from Gigabytes (10^9 bytes or Gbytes), to Terabytes (10^{12} bytes), and currently is moving towards the Petabyte (10^5 bytes) "territory." However, on an average a company utilizes only about 7 percent of the data it collects containing vital information about itself, its customers, competitors and others (<http://direct.boulder.ibm.com/bi/> Oct 10, 1997), since there has not been corresponding advances in methods to analyze this large scale and complexly structured data. Spurred by this gap and the desire by businesses to gain competitive advantage through leveraging the vast untapped data at their disposal, lately there have been several advances in the field of computational and analysis techniques for large and complex databases, under the umbrella term Data Mining (DM). It is an interdisciplinary field concerned with extracting useful information from large databases and its algorithms and methods may originate in statistics/database systems/pattern recognition/artificial intelligence/data visualization. Before describing DM, we discuss some features of large databases to appreciate the need for special methods to analyze modern databases.

SIZE AND COMPLEXITY OF MODERN DATABASES

To illustrate the size and complexity of modern databases, consider the database of the "Controlling Management Information System (CMIS)" developed at Rhone-Poulenc Rorer Inc. in 1989 (Kudrass et al. 1996) which integrates their ordering, production and accounting systems and stores roughly 1.6 Gbytes of data in about 250 interrelated data sets. Some of the individual data sets contain more than 700,000 records and more than 100 variables and altogether there are about 2000 different variables in all these data sets, many of which are also interrelated in a complex way. Although this may sound massive, the CMIS system contains *only* 1.6 Gbytes of data, and is considered a relatively small database by today's standards. In comparison, AT&T's databases today may contain telephone calling patterns of 90 million AT&T customers that generate over 200 million calls a day. In addition, many organizations nowadays are trying to integrate their corporate data from various heterogeneous sources into one central repository, called a *data warehouse* (Kimball 1996). Needless to say, such repositories tend to contain even larger volumes of complexly structured data. For example, a typical data warehousing application today contains between 100 and 500 Gigabytes of data. The world's largest data warehouse Wal-Mart's data warehouse, contains 12 Terabytes of data (i.e. is more than 4000 times larger than CMIS) on point of sale, inventory, products in transit, market statistics, customer demographics, finance, product returns, and supplier performance; which the company uses for three broad areas of decision support: analyzing trends, managing inventory, and understanding customers. In addition to being large, many business databases today are organized in terms of "dimensions" (or groups of variables which form a dataset) and "aggregation hierarchies" associated with the variables forming these dimensions, largely for making them more user-friendly (allowing managers to ask the questions of interest to them directly instead of going through the MIS department), faster in processing the data and interactive (allowing the retrieval of much more information in real time). This form of organization adds much more complexity to the data sets. We briefly describe these issues below:

(1) *Complexity Due to Dimensional Organization*: Not only is the volume of modern databases gigantic, the number of variables also are too many to be handled using conventional data storage methods (eg. flat files). For example, sales data in the Wal-mart data warehouse comes from 2300 stores and contains information on the sales of roughly 300,000 SKUs. To handle these large number of variables, data has to be stored using a dimensional format, making the *structure* of the data often very

complex (also the dimensions may have complex inter-relationships among each other). A typical retail data set may have dimensions such as “customers”, “stores”, “products” etc. In addition to the dimension *Customer* (dataset containing the variables *Name*, *Address*, *Telephone_number*, etc.) and the dimension *Product* (dataset containing the variables *Product_name*, *SKU_number*, *Weight*, *Size*, *Color*, etc.), managers may also want datasets containing the relationships between different dimensions. For example, *Purchase* may be a new dimension of interest to managers (relating the dimensions *Customer* and *Product* and creating a new dataset specifying which customer buys which products), and similarly the dimension *Returns*. Since there are usually many relationships such as these of interest to managers, and each of these relationships is represented with a separate dataset, this is one of the main reasons leading to business databases containing a large number of datasets and increasing the volume of data.

(2) *Complexity Due to Aggregation Hierarchies*: The complexity is multiplied severalfold due to the aggregation hierarchies added to data sets. Example of aggregated data could be total sales by regions by months by product category, or total number of customers who bought brands on sale vs. the number who bought brands not on sale. Here, “sales” and “customers” would have to be aggregated appropriately over the other variables/dimensions. Managers are interested in patterns at both the aggregate level (e.g. what has been the market share of the company’s product line “A” in the New York Metro area over the last year), and the individual-level (e.g. In New York’s Upper-East side, if a person buys brand “X” from the product line “A” from a supermarket, then what other products/brands does he/she usually buy). Thus for meeting managers’ needs, *aggregation hierarchies*, along which different variables within a dimension may be aggregated, also need to be provided. For example, for the *Product* dimension, we can specify the product hierarchy: brands --> product line --> product mix --> product category, for the *Date* dimension we can use the hierarchy: day --> week --> month --> quarter --> year.

Given these complexities, it is a major concern how to analyze such data in a meaningful way so as to find interesting patterns, and be able to explain these to the end-user. Since statistical methods have been widely used in marketing research, the natural approach has been to try to use the same methods for the scale and magnitude of problems described above. However, traditional statistical methods, such as the class of regression type models, even if they may be able to “tame” the non-linearity in such complex datasets, need to have the “relevant” variables identified to begin with (Elder and Pregibon 1996). According to them, the best scenario therefore, would be to *augment* existing statistical methods with the new techniques designed to work with huge volumes of complexly structured data. For example, it is not clear how one may use statistical regression methods on the CMIS database containing 250 *related* data sets with a total of 2000 variables in them. One approach would be to combine all the 250 data sets into one data set with 2000 variables in it. However, this would not solve the problem for two reasons. First, the size of this combined data set would increase dramatically. Secondly, we would still have 2000 variables to analyze, and regression methods are not well-suited for such size of problems. This underscores the need to *augment* existing statistical methods with new techniques. In the rest of the paper, we will describe approaches and tools for conducting exploratory data analysis and extraction of useful patterns from large databases that fall under the purview of the field Knowledge Discovery in Databases (KDD) and DM. These approaches have great potential for marketing by not only allowing analysis of complex databases, but also making available methods that are user-friendly so that not just sophisticated modelers but information users (managers) would be able to use these tools to elicit information from the data.

KNOWLEDGE DISCOVERY AND DATA MINING

The field of *KDD and DM*, has generated tremendous interest within industry since DM techniques and products hold the promise of uncovering significant and unexpected patterns and trends within large databases. According to Fayyad et al. (1996), KDD is “the “non-trivial” process of identifying valid, novel, potentially useful, and ultimately understandable patterns in data.” Brachman et al.(1996), define KDD as “an umbrella term describing a variety of activities for “making sense” of data. KDD is an overall process of finding useful patterns in data, including not only the DM step of running specific discovery algorithms, but also pre- and postprocessing and a host of other important activities.” It provides for a (quasi) automatic process of discovering interesting patterns in the data which are not even suspected, transcending the constraints of experience, education and imagination. For example, Citicorp is using deviation detection algorithms in IBM Corp.’s Intelligent Miner toolkit to discover credit-card fraud. This would be difficult using statistical models where all the independent variables determining fraud would have to be identified prior to the analysis. However, the KDD process is “quasi-automatic” since the user has to provide decision inputs during the process, making it interactive and iterative. The most prominent step within the KDD process, DM, as mentioned

earlier, is an interdisciplinary field and draws its techniques and algorithms for knowledge discovery from its constituents. Any algorithm that enumerates patterns from, or fits models to data, is a DM algorithm. DM algorithms embody techniques that have existed for at least ten years, but have only recently been implemented for analyzing large databases. The evolution of DM from the days businesses began to collect vast amounts of digital data and did retrospective static analysis, to today when DM allows prospective and proactive business intelligence delivery, has taken place in stages, as shown in Table 1.

DATA MINING AND ITS APPLICATIONS

Applications of DM are rapidly being developed for marketing, finance, banking, manufacturing and telecommunications, as these areas become increasingly more information rich and offer high payoffs to firms who make the right knowledge-based decisions. An example is Mastercard's DM system "Market Advisor", which gives its member banks a competitive edge in the highly competitive credit card industry, by letting them mine the data (of the order of one terabyte) culled from Mastercard's transaction processing systems (Mayor 1996). With Market Advisor, the member banks can recognize cardholder spending patterns, uncover opportunities for special offers by identifying unusual cardholder activity, compare the performance of their cards against that of comparable lenders and more accurately track response to promotions; they can analyze purchasing trends by merchant categories, geographic location or card performance and benchmark against other lender's performance. According to some estimates, the market for DM will reach \$300 million in 1997 and rise to \$800 million by the year 2000 (Shoesmith 1996). Some of the common areas for DM in marketing applications are:

(1) Target marketing and segmentation: DM can be used to uncover customer characteristics that are indicative of the most suitable and profitable customers in the long run. Companies are realizing that in today's marketplace the key to gaining a competitive edge is through a better understanding of their customers. According to a manager at a large British Supermarket, conventional techniques like lower prices, more stores, and a bigger product range are available to most of their competitors (Kestelyn 1997). Hence, they are using DM to glean an understanding about each of their six million customers for becoming more customer focused. DM is helping them find correlations that are beyond human conceptual capability. For example, they found that a particular cheese product, ranked 209th in sales, was frequently bought by the top-spending 25 percent of customers - the last clientele they would want to disappoint. Under conventional analysis principles, the product would have been "de-listed"; in actual fact, the item was quite important. American Express cards division has recently launched a program called "CustomExtras" which mines the purchase histories of its cardholders to send them personalized offers (Foley 1997). Since database marketing deals with large volumes of data on prospective customers, DM is becoming popular in this area for improving the yield and reducing the costs of the direct marketing effort. For example, Marriott Vacation Club International, the nation's largest seller of vacation time-share condos increased the response rate to its direct mail by thirty three percent, last year (Novack 1996).

(2) Market basket analysis or product affinity analysis: Firms are interested in questions such as "Which products or services are commonly purchased as a group?" One of the popularly cited DM studies found that "husbands on the way home from work often grab a six-pack of beer as a post-diaper impulse buy" (Conner 1996). This is an example of discovering a pattern which marketers may not have thought of looking for a priori, and may be used in shelf space management decisions.

(3) Customer retention or vulnerability analysis: What are the factors or characteristics which predict that customers are on the verge of cancellation? Since many of the data intensive firms today are service oriented ones, this is a question of high priority to them (Varney 1996).

(4) Customers' product(s) acquisition life cycle studies: What is the sequence of products (or events) that will be acquired (take place) over what period of time? Such analysis helps managers understand their customers better and be able to predict product purchase in advance. For example, this type of analysis is used by credit card companies to mine their customer purchase histories and target promotions at those who will be most likely to buy the products or services (Mayor 1996; Foley 1997). The British Supermarket chain referred to earlier in (1) (Kestelyn 1997), used DM to know which sets of products customers buy during every shopping trip and apply a sequence-discovery function to detect frequently occurring purchasing patterns over time. Combining this information with demographic data the company collected on its shoppers, its marketing department made nearly 12 million individually tailored mailings, based on each household's specific propensity to buy certain items at certain times; the success of which played a major part in their sales growth that year.

(5) Retail merchandizing, stocking, display, pricing and promotion decisions: DM may be applied to scanner data to determine optimal decisions with respect to these tasks for moving the optimal volume of products and providing the highest return. For example Wal-mart has several proprietary DM products which help retail managers with these tasks, by providing up-to-the-minute profitability analysis and what-if scenarios (Caldwell 1996; Harte 1997). It will also provide real time profitability analysis of the shopping basket of products consumers purchase at retail stores.

(6) Risk management: DM can also help determine the overriding characteristics (or factors) to consider in predicting the risk level of a particular customer scenario (or investment portfolio) (Corcella 1995; Mayor 1996)

(7) Credit card fraud detection: Credit card fraud amounted to \$1.3 billion in 1995, and is a significant source of losses for card companies (Fryer 1996). Using DM, Visa International Inc. has developed a credit card fraud detection system "Cardholder Risk Information Service or CRIS", which identifies counterfeit, lost and stolen cards and generates alarms if cardholders' transactions do not match their previous patterns. Another fraud detection system which was developed at NYNEX (Bell Atlantic) called DC-1 uses expert-systems-type rule learning programs to discover indicators of fraudulent behavior, builds modules to profile each user's behavior with respect to these indicators, and using these typical behavior profilers can describe how far an account is from typical behavior and detects fraud. When the detector has enough evidence of fraudulent activity on an account, it generates an alarm [Fawcett and Provost 1996].

DATA MINING METHODS

In this section we survey some DM methods which are used in business applications. The in-depth survey of these methods is beyond the scope of this paper and may be found in (Fayyad et al. 1996). From statistics, DM uses techniques such as regression, clustering, and some of the classification methods. From the machine learning field of Artificial Intelligence, it has borrowed classification and induction methods, as well as the idea of interactivity. From the database field, it has taken some of the interactive querying methods and techniques of working with large and complexly structured data sets. KDD researchers expect that the cross-fertilization and confluence of ideas coming from these diverse disciplines within the next few years will result in the development of novel discovery methods. The different DM methods may have two broad goals -- *verification*, in which the system is limited to verifying a user's hypothesis, and *discovery*, where the system finds new patterns (Brachman et al. 1996). In addition to the classical methods of regression, classification and clustering, currently the methods used in DM to extract and verify patterns, may be classified into the following broad areas:

1. *Intelligent querying*: identifying patterns in the data by repeatedly issuing queries to the data, analyzing answers to these queries and formulating new queries based on the returned answers.
2. *Summarization*: finding a compact description for a subset of data and finding patterns in these summaries.
3. *Dependency modeling*: finding a model which describes significant relationship between variables.
4. *Change and deviation detection*: discovering the most significant changes in the data from one time period to another.
5. *Time sequencing*: discovering temporal patterns.

Within these areas, a variety of algorithms have been developed for discovering trends and patterns present in the data. The common property of all the algorithms is that they use inductive instead of deductive reasoning. The different categories of algorithms used in DM products are decision trees, association, numerical (or statistical), neural networks, genetic algorithms, fuzzy logic and visualization methods (Fayyad et al 1996). Generally, the more algorithms in use, the higher the likelihood of accurate results -- the idea being that if one algorithm can not find something, then another will (Gerber 1996). For example, many of the commercial DM products, such as MineSet (from SGI), The Intelligent Miner toolkit (from IBM), Knowledge Seeker (from Angoss), Darwin (from Thinking Machines), among others, use different types of decision trees and neural networks. The two most important groups of decision tree methods are based on the C4.5 and on the CART algorithms. In general for all of the above classes of algorithms there are many variations, some proprietary and others not, which have been developed in academia as well as industry (For an in-depth descriptions of some of these methods, please refer to Fayyad et al. 1996). However, there is no single method which outperforms others. Brazdil and Henery (1994) conducted a large scale international study conducted over four years using 12 large real world data sets compared various state-of-the-art DM systems; and concluded that the accuracy of a DM tool depended heavily on the structure of the data set being analyzed. For example, decision trees will be superior to neural networks

or statistical algorithms if the data set is skewed and has a large number of categorical fields, since the former is geared for handling nonparametric data.

DATA MINING SYSTEMS

We have outlined some of the applications of DM in Section 4.1 to indicate its widespread use within marketing. Besides marketing, successful knowledge discovery systems have been developed for use in such diverse commercial areas as manufacturing, finance, banking, telecommunications, health care, etc. We will first describe some marketing systems and then products in some other commercial areas.

Data Mining Systems in Marketing

Marketing applications were among the earliest knowledge discovery systems developed. The two most notable examples of these systems are Coverstory (Schmitz, Armstrong and Little 1990) from IRI, and Spotlight (Anand and Kahn 1992) and its successor Opportunity Explorer (Anand 1995). Both of these systems were designed for analyzing scanner data to discover the most significant changes in different variables, such as dollar sales, sales volumes, penetrations; and market shares, taken across various product types, regions, time periods and other relevant dimensions. In addition to discovering most significant changes, these systems try to uncover variables which cause these deviations (such as those related to the distribution channels, price and promotional areas). Compared to earlier methods, the interpretation of results in these systems were much simpler since the findings are presented in user-friendly reports using natural language and business graphics. The methods that both the systems use are based on expert systems technology (Waterman 1986). For example, Spotlight uses AND-OR trees to build causal explanations for its findings. Once a significant deviation is found, it triggers a “propagation process” down the tree that constructs the explanation for the deviation (Anand 1995). Although successful, these systems used the current DM techniques to a limited extent only and were not generalizable across various marketing applications since these were expert systems designed for specific applications. For example, Spotlight worked for A.C. Nielsen’s scanner data, but since the system was proprietary, it was not clear if it would work for the scanner data collected by other market research companies. It definitely was not capable of handling other On-Line Transaction Processing (OLTP) applications, such as airline reservation or banking systems. To address this limitation, one of the creators of Spotlight, is in the process of developing a new system -- the Management Discovery Tool (MDT), at NCR. The MDT system incorporates several innovative DM approaches that will expand the capabilities of Spotlight and its successor Opportunity Explorer. For example, one of its distinguishing features will be that it will incorporate a *general purpose* knowledge discovery system that can be used across various business applications and not be limited only to marketing. The MDT system will allow the user to do more sophisticated analysis of significant changes, trend analyses, and measure and segment comparisons, not only in marketing but in other types of data, such as financial and manufacturing data, as well. The immediate benefit MDT has for marketers is that the system could be used across a broad range of marketing applications and not limited to specific types of data.

CoverStory and Spotlight, the two pioneering knowledge discovery systems, being expert systems, used only a limited set of DM techniques. In the last few years, there have been several successful knowledge discovery systems developed and deployed in various diverse areas of business and science. These systems are *general purpose* systems (rather than expert systems) and use various sophisticated DM methods described above to find patterns in the data.

DISCUSSION

Our purpose in writing this paper has been to present to marketing academics the developments that are taking place for the analysis of very large and complex databases in response to the data explosion taking place within industry today. The awareness about these methods, under the umbrella of Knowledge Discovery in Databases (KDD) and DM, has so far been primarily within academic researchers from the Computer Science and Informations Systems community, who are the developers of these new methods, and the business community, which has begun using these methods for business problem solving. These methods have developed and gained popularity primarily as a result of traditional statistical methods not being able to scale up to

the needs of analyzing such massive data sets, as well as reasons of user-friendliness, i.e., the need for the analysis to be performed by the end-users themselves, often in real time. DM methods also have the advantage that they do not restrict pattern or relationship discovery to human preconception, and allow for more open-ended analysis where the user may broadly specify the variables of interest, and the DM techniques will search through the data to find all the other variables that are related to these. DM researchers in academia and industry have developed several innovative ideas over the last few years that have found their ways into new methods, numerous research prototypes and many new commercial products. Our aim was to provide an overview of the developments which are relevant for marketing practice. With the availability of marketing data on an unprecedented scale today, we believe that marketing academics could benefit from the large scale databases in their own research for understanding and predicting consumer behavior and other issues of interest to marketers. In the past, the availability of scanner data had generated a lot of interest and activity among academics on discovering the right methods to analyze this data. Similarly, once the gigabytes of operational and transactions processing data being collected by marketers start being tapped by marketing academics for the purposes of their research, they will need to look for methods and tools which scale up to the desired level to handle these very large and complex data sets, since traditional statistical methods would be less suitable. Thus marketing academics can also leverage the developments in Knowledge Discovery in Databases and DM for their own research.

Note: Tables and references available on request from the author.

EXPLORING TEXT-BASED ELECTRONIC MAIL SURVEYS AS A MEANS OF PRIMARY DATA COLLECTION

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ABSTRACT

This paper reviews literature about on-line research and primary data collection using electronic mail. Response rate results from a text-based e-mail survey conducted in a metropolitan organizational market are discussed. Managerial implications and directions for further research are presented.

INTRODUCTION

The emergence of the Internet and electronic communications are rapidly changing traditional marketing methods (Hoffman and Novak 1996). The number of Internet users increased by a factor of ten, to 25 million, during the period between 1990 and 1995 (Samli et al. 1997). At the beginning of 1997, almost 20% of Americans have either been on-line or have accessed the web (Hamlin 1997). By visiting company web sites, customers can communicate their unique needs so business marketers can better serve them. Marketers are increasingly harnessing the power of the web to gain access to potential customers (Honeycutt et al. 1998). Researchers have predicted that e-mail may become the standard method of data collection in the 21st century (Schuldt and Totten 1994). If this is true, then it is necessary to better understand how characteristics of the Internet impact marketing research methodology. Furthermore, organizations with little computer or technical expertise may consider e-mail to be a convenient way to collect primary data. In this research, a text-based electronic mail survey is conducted, then findings and lessons learned from implementation are presented. The purpose of this article is to provide insight for researchers and managers wishing to use e-mail for primary data collection. In response to the rapid adoption of electronic communication, marketing researchers are exploring methods to exploit the many diverse Internet opportunities (Roller 1996; Rubel 1996). The web currently affords immediate access to a wealth of secondary research information and utilizing the Internet for primary research is now receiving more attention (Lescher 1995). A fruitful area is on-line research (OLR) which is a unique combination of Computer-Assisted-Personal-Interviewing (CAPI) and self-administered questionnaires. With OLR, subjects are self-selected, the survey is self-administered, and the computer serves as a mediator between the subject and the researcher (Strauss 1996).

In terms of response rates, previous OLR has yielded varied results. Two 1986 studies that compared the response rates between paper and electronic surveys yielded conflicting results. Kiesler and Sproul (1986) found the paper surveys resulted in a 75% versus 67% response rate; whereas Sproul's (1986) research yielded a 73% response rate for paper surveys and an 87% response rate for electronic surveys. However, more recent research found an even wider difference when paper surveys generated a response rate of 56.5% and electronic surveys had a 19.3% response rate (Schuldt and Totten 1994). At present, the marketing literature does not address the peculiarities of using electronic mail as a means of primary data collection. It is important to continue exploring this topic because there are few guidelines and reported studies examining the issue of OLR response rates. Distributing marketing surveys via the Internet medium provides numerous advantages in terms of speed, costs, and consumer attitudes. First, OLR can decrease the response time and speed-up the research process (Elmer 1997). E-mail is relatively accurate, and especially powerful, because more than 99.9% of properly addressed e-mail arrives at its destination correctly and quickly (Samli et al. 1997). Secondly, when compared to using "snail mail" (i.e., a regular postal service), many of the costs associated with administering electronic surveys can be reduced such as labor, postage, printing, processing, and facility costs. Third, Sproul (1986) found no significant differences in mean responses to questions on e-mail surveys in comparison to paper-and-pencil surveys. Finally, electronic data collection is a more environmentally-friendly research method because less paper is wasted (Parker 1992). Naturally, there are disadvantages to administering surveys electronically. First, although lists of e-mail addresses are readily available on the Internet, targeting specific demographic groups remains a difficult process. Second, respondent authenticity, self-selection bias, and self-administration errors are problematic with electronic surveys. Thus, it is likely that electronically-based surveys will appeal to the heaviest Internet users, and therefore, may not be representative of the general populations (Murphy 1996). Finally, software is now available that permits Internet users to filter out unwanted e-mail. Programs such as *Banyan's Beyond Mail Personal Internet Edition* will sort electronic messages and even recognize mass Internet mailings.

On-line services, such as America Online (AOL™) and CompuServe™, can block unsolicited e-mail (Eng 1997). These protocols decrease the probability that an electronic survey will reach its final destination. Furthermore, questionnaires posted through newsgroups or mailing lists are normally considered to be offensive by the Internet community. For example, if Internet users consider themselves to be “spammed” (i.e., receiving unwanted or unsolicited e-mail), they are unlikely to respond. Spamming is a highly emotional topic that has generated considerable debate among the Internet community (Feigenbaum 1996).

RESEARCH QUESTIONS AND METHODOLOGY

It is known that, depending upon a variety of factors, mail survey response rates will vary from zero to 100 percent. Mail surveys of randomly selected respondents, that do not utilize pre- or post-mailing contact, have often been shown to yield a response rate of less than 15% (Malhotra 1993). Our review of the literature supports the expectation that response rates for OLR will also vary (Kiesler and Sproull 1986; Schuldt and Totten 1994). However, while the expected average response rate of a mail survey without benefit of follow-ups and incentives is less than 15% (Malhotra 1993), several factors lead us to believe that the response rate for a comparable e-mail survey would be at least 20%. The first reason is the growing acceptance of e-mail as an alternative communications medium. The second is that e-mail affords the participant an easier and more immediate means by which to respond. People are generally psychologically prepared to read and respond to e-mail immediately because they can check their e-mail during a convenient time (Rowland and Kinnaman 1995). Finally, since Schuldt and Totten (1994) found a 19.3% response rate in an electronic mail survey, we propose that the response rate for our survey will be at least 20%. Given these considerations, the following exploratory research questions are proposed: **Research Question 1:** Will the proportion of responses to a text-based electronic survey, sent to the organizational market (i.e., businesses) without incentives and follow-up, be greater than 20 percent? **Research Question 2:** What are some of the peculiarities of using electronic mail as a means of primary data collection?

In order to investigate these research questions, data were collected from a convenience sample of business organizations with Internet web sites. The target population under consideration was the total of all organizations with WWW pages located in the metropolitan area of southeast Virginia (estimated to be about 1,000 organizations). The sampling frame included those organizations in the target population that were also listed on the following regional directory website: <http://www.greaterhamptonroads.com/Business/>. At the time of this research there were approximately 400 firms which were organized on this website into related categories such as automotive, computers, consulting, construction, real estate, etc. A random sampling procedure was employed to select organizations from this web site. First, the various categories on the web site were randomly assigned to one of six groups. Then, a die was cast to select one of the six groups from the web site. Finally, a die was again cast to select a specific web site within each randomly selected groups. Utilizing this procedure, a total of 92 organizations were randomly selected. This is deemed a sufficient sample size assuming a 95% confidence interval with a precision (or error) of $\pm 10\%$. For the 92 organizations in the sample, each web site was researched until an e-mail address for the webmaster was discovered. For five of the organizations, no “webmaster” e-mail existed, so the general company e-mail address was used. In the majority of cases, this type of search was time-consuming and entailed examining several pages of website material to locate an e-mail address. Overall, it required nearly 42 hours to locate all e-mail addresses. A survey and cover letter were then sent electronically to each of the 92 e-mail addresses. The four-page survey included 24 closed-ended and six open-ended questions related to how their company uses the Internet and its affect on their business. Participants were asked to complete and return the survey, via e-mail, to the researchers. The surveys were sent to subjects in the form of a “text only” message which means that blank lines were typed in (i.e., “ ”) for people to respond manually instead of using a check box or radio button with a mouse. This procedure was employed in order to ensure that everyone who received the e-mail survey could read it, regardless of their form of e-mail package. Some e-mail packages include “forms capabilities” with different features such as text check boxes or other forms that can be incorporated into an e-mail message. However, these forms are not included in all types of electronic mail packages since there is a lack of industry standardization. If the researchers sent a survey using forms capabilities, then some recipients using a different type of e-mail package might see something other than a neat survey form. Another option considered, but not pursued, was to send the survey as an attachment to e-mail. At present, not all e-mail packages easily accept attachments and some recipients may be reluctant to open attachments given the damage viruses can do to computer hardware.

FINDINGS

Of the 92 surveys transmitted, five were not delivered due to e-mail address changes or e-mail problems between the

Internet Access Provider used for e-mail delivery and the recipient server. Thus, 87 surveys are believed to have properly reached their destination. During the data collection period a total of 31 responses were received; however, two were incomplete and were thus excluded from the analysis. The final results of this study yielded a useable response rate of 33.33 percent (29 completed out of 87 delivered surveys). Research Question 1 proposed that the proportion of responses to an electronic survey without incentives and follow-up is expected to be greater than 20 percent. Utilizing a test of proportions, the resulting Z-score was 3.72 ($p \leq .002$), indicating that this supposition was supported. A number of other interesting methodological findings were discovered during the data collection period that address Research Question 2. The following sections explain problems encountered and lessons learned from collecting primary data through an e-mail survey to address Research Question 2.

Locating E-mail Addresses: The manner in which organizations were sampled for this study was extremely time-consuming. It required a total of 42 hours to select and locate addresses for the 92 organizations sampled in this study, which equates to approximately 27 minutes per firm. Rolling a die, in order to maintain a degree of random selection, also slowed things down considerably. Finally, many web pages had buried e-mail addresses, incorrect e-mail addresses, or no e-mail addresses at all. We conclude that this technique would not be a time effective way to conduct research on a larger sample unless current e-mail addresses are known. However, if distinct organizations are needed for a study, this method does enable researchers to accurately target specific organizations and subjects. For locating a publicly available register of e-mail mailing lists, the authors recommend [<http://www.neosoft.com/internet/pam/>]. Random number tables could also be used to select respondents quickly from these mailing lists. *Measuring Response Time:* The average response time for the survey was found to be 39.03 hours ($s = 80.84$), while removing two outliers reduced the average response time to 18.27 hours. Conversely, paper surveys would probably still be in the mail! While response time was extremely fast, we found that some respondents returned their survey replies under different e-mail addresses than those to which the surveys were sent. Thus, for some respondents, it was impossible to match the response to a "sent survey" for the purpose of measuring response time. It is recommended, therefore, that surveys be pre-coded in advance so that response times can be more easily tracked. This would also permit the researchers not to "spam" the site with follow-up electronic surveys. *Evaluating Response Rates for Open Ended Questions:* OLR provides the added advantage of including open-ended questions on surveys (Hamlin 1997); however, little is known about the effectiveness of open-ended questions in OLR (Strauss 1996). Messinger (1993) reported that OLR open-ended questions have been found to yield shorter answers when compared to a paper-and-pencil survey. Conversely, Higgins et al. (1987) concluded that open-ended responses were more complete when using OLR questionnaires. While we did not evaluate the length or completeness of the open ended questions, our study found that the respondents finished a large percentage of the open-ended questions. There were six open-ended questions posed to all survey participants. Of 174 possible open-ended questions (six questions times 29 surveys received), 144 (82.7%) were completed. We tentatively infer that a significant percentage of open-ended questions were answered by on-line respondents. However, additional empirical research is warranted in order to validate this inference. *Understanding Types of E-Mail Boxes:* Many businesses use a group server to gather e-mail messages. With a group server these firms receive a paper copy, rather than receiving the e-mail in electronic form. Five construction businesses in our sample employ this particular feature. Coincidentally, no survey responses were received from these construction firms. A number of web sites only had "information request forms" where Internet users fill-in-the-blanks to obtain information. These forms generally do not allow for text formatting and do not provide the flexibility of true e-mail addresses. As a result, the survey received appears in the form of one continuous paragraph. One completed survey was returned to the researchers in this form. Therefore, researchers should be aware that sending surveys to group servers or form boxes may negatively affect the response rate. Because of this potential problem, it may not be wise to include companies with these types of e-mail programs in the sample. *Using E-mail and Instructions for Survey Completion:* As discussed earlier in the methodology section, the surveys were sent in a "text only" message format in order to ensure that all subjects could read the survey, regardless of the type of e-mail software being employed. However, several respondents in our study telephoned the researchers for directions because they did not understand how to complete the text-based survey. This raises the question of how many other subjects couldn't figure it out and didn't bother to contact the researchers? Text-based surveys are not difficult to complete, but we learned that it is very important to include specific and complete respondent instructions when using this format. The form-type surveys are more consistent in their appearance and are somewhat easier to use; however, they are not currently supported by all types of e-mail programs. As a final note, we concur with Rowland and Kinnaman's (1995) suggestion to test e-mail surveys by sending them to yourself before they are transmitted to the internet community.

LIMITATIONS, DIRECTIONS FOR FUTURE RESEARCH, AND CONCLUSIONS

Future researchers should be aware of and address weaknesses of this exploratory study. First, we only collected data

using a text-based e-mail format and did not provide a basis for comparison with other data collection techniques. We recommend that future research efforts examine the response rates of electronic versus paper-and-pencil surveys (i.e., mail, fax, etc.) by using a more controlled experimental design. In order to understand the ideal method for administering e-mail surveys, a wide variety of experimental conditions could be included in research designs including survey length, use of incentives, pre-notification, and follow-up. Additionally, it is important to learn whether response rates differ between text-based and form-type e-mail surveys. A second concern is that only business organizations from one metropolitan web site were sampled, thus limiting the generalizability of this study. We recommend that future researchers capitalize on the reach available on the Internet by examining responses from larger regional, national, and global samples. Another fruitful area of research would be to investigate if there are significant multicultural differences in response rates when using e-mail surveys. A third limitation is that the survey was addressed to the organization's "webmaster." Respondent authenticity was a potential problem since we assumed that webmasters completed the survey. It also is possible that our response rate was influenced by the functional position of the person assumed to be answering the survey as well as the topic of interest for the survey. Webmasters, after all, are assumed to be highly involved in computers and the Internet and may have a higher probability of responding to an electronic survey when compared to other types of populations. Thus, similar cooperation with the more "traditional subjects" as well as a different survey topic may yield a different response rate level.

This study supported the expectation that the proportion of responses of e-mail surveys, sent to a metropolitan organizational market with no incentives or follow-up, exceeds 20%. In addition to that finding, some potential problems and interesting findings associated with collecting primary data through an e-mail survey were discovered. First, locating e-mail addresses within the actual web pages proved to be a time consuming process. While this method may be necessary for accurately targeting specific organizations and subjects, researchers should note that it may require between 20-30 minutes to locate each e-mail address. Publicly available lists of e-mail addresses can be used as an alternative to the search method employed in this study. Second, the response time for OLR appears to be much faster compared to using "snail mail." Tracking response time was complicated, however, in a few instances where subjects responded using a different e-mail address than where the survey was originally sent. Therefore, we recommend that surveys be pre-coded in advance so that response times can be more precisely tracked. Third, nearly 83% of the open-ended questions in this study were answered by respondents. While much remains to be learned about open-ended questions in OLR, we tentatively infer that on-line respondents are not entirely averse to answering open-ended questions. Researchers are encouraged to explore the response rate, length of answers, and completeness of answers of open-ended questions under varying conditions such as the length and number of questions employed. Fourth, sending OLR surveys to group servers or form boxes may change the appearance of the survey and negatively affect the final response rate. We recommend that these types of addresses not be included when sending future e-mail surveys. Finally, because text-based surveys are less consistent in appearance and not as easy to use when compared to form-based surveys, it is critical that researchers include specific instructions for respondents. Despite the shortcomings of text-based surveys, they do have the advantage of ensuring that subjects can read the survey without complications. It is believed that organizational marketers can benefit from these "lessons learned" should they want to implement an e-mail survey for primary data collection. However, given that this was an exploratory study, there remains much untapped knowledge about this new and exciting field of marketing research.

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INTEGRATED MARKETING COMMUNICATIONS: CONFLICTS OF INTEREST, POLITICS AND PERFORMANCE

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ABSTRACT

The implementation of Integrated Marketing Communication (IMC) has received relatively little scrutiny. Nor is there much empirical evidence demonstrating the effects of IMC on performance. This paper describes a study of leading Australian public companies and offers evidence on the relationship between IMC orientation, politics, conflicts of interest and performance.

INTRODUCTION

The marketing literature frequently assumes that managers make strategic and tactical choices on the basis of a rational decision making model. This assumption was challenged in the 1980s, when a political model of decision making was shown to have relevance to the process of marketing budgeting, including setting an advertising budget and sales forecasting (Piercy 1986a; 1986b; 1987; 1989). Piercy (1987) described marketing budgeting as a process of negotiation at several levels, suggesting a key role for advocacy, bargaining, and "politicking" at each level.

Anecdotally, politics in organizations has long been accepted as a fact of life (Ferris, Russ, and Fandt 1989). However, reaching consensus on the meaning of organizational politics has often proved problematic, in spite of its importance to organizational functioning (Vrendenburgh and Maurer 1984). Ferris, Russ and Fandt (1989) characterize organizational politics as a social influence process, in which behavior is strategically designed to maximize short-term or long-term self-interest - either consistent with or *at the expense of* [emphasis added] others' interests.

For many years, the marketing literature has had a tendency to be long on advice about *what to do* in a given competitive or marketing situation and short on useful recommendations for *how to do it* within company, competitor, and customer constraints (Bonoma 1985). In the 1990s, the emerging literature on Integrated Marketing Communications (IMC) has followed similar lines. While the conceptualization of IMC as the merger of all communications functions under a single organizational unit is relatively well documented (Duncan and Everett 1993; Moriarty 1994; Rose and Miller 1993; Schultz, Tannenbaum and Lauterborn 1993), detailed work on its practical implementation is largely absent. Nor is there as yet much empirical evidence demonstrating the effects of adopting an IMC orientation on performance, although Beard (1997) has found IMC is associated with improved relationships between marketing clients and their advertising agencies.

Considerable attention has been devoted to the purported synergistic benefits of IMC (Duncan and Everett 1993; Arens 1996). This growing body of literature largely assumes the adoption of a rational managerial approach to decision making. Yet decisions affecting the implementation of the IMC concept have the potential to be highly political in nature - at least as political as decisions about sales forecasts and advertising budgets a decade ago. The possibility that politics may be a barrier to IMC implementation requires consideration even if, as Phelps, Harris and Johnson (1996) have found, there is a trend towards consensus decision-making in communication strategy development.

Given that IMC requires the synergistic coordination of diverse above and below-the-line promotional disciplines, the potential for conflicts of interest amongst the various agencies involved is apparent. Moriarty (1994) argues that cross-discipline management skill is the biggest barrier to IMC. Schultz, Tannenbaum and Lauterborn (1993) mention the role of functional specialists as a barrier to IMC implementation while Duncan and Everett (1993) cite turf battles among other issues, but the specific conflict of interest problem appears as yet to have been neglected.

IMC ORIENTATION

For decades, marketers have used the long-established communications disciplines of advertising, public relations, sales

promotion and direct marketing to achieve a diverse range of objectives. Traditionally, clients erected strong barriers around these functions - managing each separately with different objectives, goals and budgets (Belch and Belch 1995). Today, these previously independent tools are increasingly being coordinated under an umbrella strategy in an attempt to increase communications effectiveness and consistency (Ewing and Davidson 1997). The notion of synergy is central to most, if not all, arguments in favor of integration (Duncan and Everett 1993). Arens (1996) contends that synergy is the key benefit of IMC because each communication tool reinforces the other for greater effect. Moriarty (1994) argues that it is essential for cutting edge companies to integrate total communication programs. IMC, she claims, is not an option but a requirement.

Arriving at a generally agreed definition of IMC is, however, far from easy. Duncan and Everett (1993) maintain that definition is difficult because IMC is both a *concept* (or philosophy) and a *process*, and the degree of integration within each dimension can vary greatly. Ewing and Davidson (1997) have found no common understanding of IMC's meaning or application among Australian agencies and clients. According to Phelps and Johnson (1996), IMC appears to mean dramatically different things to different people.

Without a generally agreed definition, it is impossible to design sound measures of IMC nor can its impact on current marketing communications be determined (Phelps and Johnson 1996). The haziness surrounding the IMC concept helps to explain the apparent gap between the strident rhetoric of such IMC advocates as Schultz, Tannenbaum and Lauterborn (1993) who claim a new marketing paradigm is being forged, and the skeptics who believe little has changed (Cleland 1995).

ORGANIZATIONAL POLITICS AND CONFLICTS OF INTEREST

Despite its importance, there is little consensus in the management literature on what constitutes political behavior in organizations (Ferris, Russ, and Fandt 1989). Organizational politics has been defined in terms of the use of power by interest groups to influence decision making (Tushman 1977), as self-serving and organizationally nonsanctioned individual behavior (Gandz and Murray 1980) and as the management of influence (Madison et al. 1980). Ferris, Russ and Fandt (1989) view politics as a social influence process in which behavior is strategically designed to maximize short-term or long-term self-interest, either consistent with or at the expense of others' interests.

Conflicts of interest are an integral feature of many professional relationships (Carson 1994). A conflict of interest involves any situation in which an individual has difficulty discharging the official duties attaching to his or her position because there is (or he or she believes there is) an actual or potential conflict between his or her own personal interests and the interests of the party to whom he or she owes those duties (Carson 1994). An advertising agency faced with advising a major client to cut its advertising budget in the interests of integration is in precisely this situation - assuming the client is employing more than one independent communications consultancy and that one of the other agencies stands to benefit from the reallocated budgetary resources. Despite all the attention focused on IMC, most advertising agencies still favor mass-media advertising over other forms of marketing communication (Ewing and Davidson 1997). As Joachimstholer and Aaker (1997) point out the talents, incentives and inclinations of many advertising agencies mean they rarely recommend below-the-line techniques to clients as the primary brand building vehicle. Despite claims to the contrary and modest efforts to expand alternative communication services (Joachimstholer and Aaker 1997), most advertising agencies are in a conflict-of-interest situation in the age of IMC.

The literature on conflicts of interest suggests that such a situation is not surprising. Bayles (1989) argues that there is a fundamental conflict of interest in any relationship between a client and a professional person. Mitchell (1994) identifies conflict of interest as one of the key factors increasing the risks involved in the decision to purchase industrial professional services. Given the nature of IMC, the existence of conflict of interest issues seems inevitable.

OBJECTIVES OF THE PRESENT STUDY

This exploratory study focuses on the effects of integrated marketing communications and agency politics on promotional success. More formally stated, we propose that:

P1 *Firms that employ IMC will enjoy greater promotional success than those who do not*

For the purposes of this study, we define agency politics in a manner similar to Ferris et al. (1996), Ferris and Kacmar (1992), and Mintzberg (1983; 1985). Essentially, we are interested in clients' perceptions of agency politics. In this sense, we agree with Gandz and Murray (1980) who suggested that rather than exclusively an objective state, it is appropriate to conceive of organizational politics as a subjective evaluation. People respond on the basis of their perceptions of reality, not reality *per se* (Lewin 1936), and it has been argued that perceptions of organizational politics are important to study and understand even if they are misperceptions of actual events (Porter 1976). In the present study, our focus is not on the antecedents of organizational politics (on which considerable research has already been conducted), but rather on possible consequences.

MEASURES AND DATA COLLECTION

Questionnaires were faxed to marketing communications managers in 272 of Australia's top 400 public companies ranked by turnover, as published by Business Review Weekly magazine (128 heavy industrial, mining and/or agricultural firms who do not practice consumer marketing, were excluded from the sample). We employed a phone/fax method for various reasons. First, it was important to individually identify the *correct* respondent in each organization. To this end, organizations were first contacted telephonically, and then the identified respondent was faxed a questionnaire. Fax surveys were used because they have been found to be a more efficient data collection method in commercial and institutional arenas, and there are generally no differences in the nature of responses between mail and fax (Dickson and Maclachlan 1996). Qualified respondents were faxed a 3 page, 30-item questionnaire. By the cut-off date three weeks later, 78 responses had been received, representing an effective response rate of 28.7%.

The independent variables in the study are the organization's degree of IMC orientation (IMCO) and client perceptions of agency politics and conflicts of interests. To assess IMCO, Phelps and Johnson's (1996) 20-item measure was adapted. To avoid confusion or bias, respondents were not given a definition of IMC. Instead, statements regarding communication practices were given and respondents were asked to agree or disagree with each statement depending on how well the statement described the communication practices of their company. To assess client perceptions of agency politics we used a slightly modified 5-item measure developed by Ferris and Kacmar (1992). To measure client perceptions of agency-related conflicts of interest, we employed the generally accepted scenario role play method and developed six short agency/consultant vignettes. This approach has been used extensively in both the psychology (Daboval, Comish and Swindle 1995) and managerial (Fritzsche and Becker, 1984; Premeaux and Mondy 1993) literature to better understand the effects of conflicts of interest on behavior. Vignettes allow the injection of a greater amount of background information and detail into ethically questionable issues and are thought to elicit higher quality data than is possible from simple questions (Alexander and Becker 1978).

In terms of scale metrics, Ferris and Kacmar originally used a five-point Likert-type scale, where Phelps and Johnson used a seven-point, ranging from 3 to -3. We have elected to employ uniform seven point Likert scales anchored with strongly disagree [1] and strongly agree [7]. Increasing the number of scale points to seven generally helps scale reliability (Churchill and Peter 1984), without adversely affecting the scale's psychometric properties (Nunnally 1978).

RESULTS

Most respondents were senior managers within their organizations. Half have less than 1 year's experience in their current positions, 40% between 1 and 5 years' experience and 10% more than 5 years' experience. In terms of total work experience, 20% have less than 3 years' work experience, 47% between 3 and 10 years, 16% between 10 and 20 years and 13% more than 20 years. In terms of professional qualifications/background, 60% of respondents categorized themselves as marketing generalists, 14% as management generalists, 10% as marketing communications specialists, 8% as technical/engineering and 8% 'other'. 75% of respondents hold Bachelors degree or higher, 12% hold diplomas/associate diplomas and 13% have no post high school qualifications. Respondents were asked what industries their organizations operate in. Using the ANZSIC classification system, the following industries were included in the sample: Financial/insurance 21%, manufacturing 13%, communications 10%, property 8%, community/health/recreation 8%, utilities 6% and 30% 'other'. Lastly, 61% of respondents were male and 39% female.

The coefficient alpha (Cronbach 1951) for the IMCO scale, after eliminating 5 items with corrected item-to-total correlations $< .5$, is an acceptable .7271. After deleting 1 item from the Politics scale for the same reason, the alpha coefficient improved to a respectable .8536. Having established scale reliability for the independent measures, both IMCO and Politics batteries were subjected to principal components factor analysis, resulting in 4 and 3-factor solutions respectively, accounting for 70% and 73% of total variation.

Examination of [table 1](#) suggests that the four factors empirically relate reasonably closely to the five dimensions identified by Phelps and Johnson (1996). However, it also suggests that a slightly different set of interpretable underlying factors could represent the data more parsimoniously. Factor 1 relates very directly to “one voice”, which underpins a central theme in IMC: namely that of consistency, integration and synergy. Factor 2 appears to be well characterized by one-to-one, or direct marketing activities. Factor 3 relates to a shift in focus from traditional advertising to so-called below-the-line functions. Factor 4 is an interesting dimension, and reiterates the somewhat pragmatic view held by many Australian practitioners. It suggests a shorter-term focus characterized by tactical or retail-related objectives.

[Table 2](#) provides evidence of three factors to describe agency politics. Factor 1 represents client perceptions of agency conflicts of interest. Factors 2 and 3 describe client perceptions of agency politics - which Ferris and Kacmar (1992) found to be unidimensional. We interpret our two distinctive factor representation to reflect different degrees or levels of self-interest: one being acceptable within ‘normal’ business transactions (Factor 2), the other, Factor 3, a more devious, unethical level of self-interest.

IMCO, POLITICS AND SUCCESS

In an attempt to ascertain if the four IMCO factors and the three Politics factors (as independent variables) have any effect on marketing communications performance, a stepwise multiple regression model was employed, the results of which are reported in [Table 3](#). In the initial stages of our analysis we conducted a simple multiple regression, using IMCO overall, and Agency Politics overall, as predictors. While we did find significant positive and negative relationships respectively, we felt it necessary to investigate the relationships in more detail, and we therefore used the individual dimensions of IMCO and Politics as inputs in a stepwise regression, to ascertain which dimensions account for the most variance in promotional success.

The Conflicts of Interest dimension of Politics has an R^2 of .24 ($p < .001$) and is inversely related to promotional success, while the Direct Marketing dimension of IMCO, with an R^2 of .32 ($p < .001$) accounts for the most variance in promotional success. The remaining five dimensions were excluded from the equation.

DISCUSSION

The research has provided initial support for a link between integrated marketing communications orientation and promotional success among some of Australia’s largest public companies. However, while there is growing support for the notion of IMC, critics have recognized the potential and real threat of “agency turf wars” as a barrier to successful IMC orientation (Bizzorek 1996; Duncan and Everett 1993; Ewing and Davidson 1997). To this end, we sought to investigate (1) the perceptions of agency politics and (2) the effect of agency politics on promotional effectiveness. As suspected, agency politics is inversely related to promotional success, particularly where clients perceive their agencies to be putting their own interests ahead of the clients’ best interests.

The research has a number of limitations. We use particular conceptualizations of IMCO and agency politics that may not be sufficiently elaborate. In addition, we use a single, self-reported measure of promotional success, which is fairly common in studies of this nature, but still not ideal. While our response rate is respectable, our actual sample size is not large, and may not be robust enough to withstand generalization. Marketing communications agencies themselves were excluded from our sample, and their input would no doubt have been invaluable.

There are a number of possible directions for future research in this area. More work is required to further conceptualize the IMCO construct. Similarly, organizational politics specific to marketing communications environments requires further investigation, as do other potential inhibitors to IMC implementation. Another area worthy of attention is the increasingly

oligopolistic nature of the marketing services industry. The emergence of ‘mega groups’ like WPP with diverse interests across the broad spectrum of marketing services (advertising agencies, public relations consultancies, marketing research agencies, below-the-line specialists, direct marketing companies), and the possible ‘keep it in the family’ mindset, may represent another conflict of interest from the clients’ perspective.

Table 1 - Principal Components Factor Analysis (IMCO)

<i>IMCO</i>	<i>One Voice</i> x1	<i>Direct Marketing</i> x2	<i>Increased Responsibility</i> x3	<i>Response Goals</i> x4
Q1. One message (clear and consistent)	.87137			
Q2. Common strategy	.79597			
Q3. PR behavior and image	.59157			
Q7. Improving awareness	.74490			
Q10. Direct response		.82635		
Q11. Database marketing		.77492		
Q12. Direct Mail		.82650		
Q13. 800 numbers		.64781		
Q4. Advertisement behavior and image			.71215	
Q16. Increased PR responsibility			.67084	
Q17 ^a .Increased advertising responsibility			.78720	
Q6. Increase sales through MC				.75145
Q8. Cost cutting				.78126
Q18. More sales promotion responsibility				.61881
<i>Factor reliability</i>	.8267	.7968	.7048	.6122

^a reversed-scored. For clarity, loadings of less than .5 are deleted.

Table 2 - Principal Components Factor Analysis (Perceptions of Politics and Conflicts of Interest)

<i>Politics/Conflicts of Interest</i>	<i>Conflicts of Interest x5</i>	<i>Self-interest x6</i>	<i>Unethical Behavior x7</i>
Q36 ^a Advertising - PR	.80182		
Q37 ^a PR - Advertising	.65906		
Q38 ^a Sales Promotions	.92395		
Q39 ^a Direct Marketing	.74276		
Q40 ^a All agencies/consultants	.55656		
Q31. Reciprocity		.88161	
Q32. Self interest		.87745	
Q34. Distort information			.80815
Q35. Cliques/in-groups			.85570
<i>Factor reliability</i>	.8722	.6843	.8334

^a reversed-scored. For clarity, loadings of less than .5 are deleted.

Table 3 - Stepwise regression with individual factors and promotional success

y = Promotional success		
x1 = One voice ^b	x5 = Conflicts of interest	
x2 = Direct marketing	x6 = Self interest ^b	
x3 = Increased responsibility ^b	x7 = Unethical behavior ^b	
x4 = Response goals ^b		
	x2	x5
R^2	.32140	.23822
Adj R^2	.28370	.21763
F	8.5253*	11.5705*
$B \times 1$	.41081	-.48808

Notes: $B \times n$ refers to the standard beta coefficient of the significant n variable
^{*} $p < .001$
^bvariables not in the equation

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GENDER PORTRAYALS IN MODERN CIGARETTE AND ALCOHOL ADVERTISEMENTS: A REPLICATION

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ABSTRACT

This paper presents a follow-up analysis to the Reid, King, and Wyant (1994) study using the exact methods they used to study gender portrayals in modern cigarette and alcohol advertising. Students content analyzed 394 unduplicated ads from 1993-1994 issues from the same 11 magazines years later. The analysis revealed that advertisers still view women as decorative/sexual objects and men as the bread-earners.

INTRODUCTION

Since the 1960s, the subject of sex role portrayals in advertising has generated a great amount of interest among researchers, who have subsequently produced a substantial body of information on the subject. Until the Reid, King, and Wyant study (1994), however, no project specifically addressed gender portrayals in modern cigarette and alcohol advertisements. Their study was conducted to determine how alcohol and cigarette advertisers perceive the societal roles of males and females and to discover the differences and similarities in gender portrayals between the two product categories.

Reid, King, and Wyant (1994) found that product usage depictions, model dress, and model activities in cigarette and alcohol advertisements varied by gender. In both alcohol and cigarette ads, advertisers featured women more often than men with the advertised brand or in consumption of the product. Likewise, females were portrayed in seductive dress more frequently than were men. Females were seductively dressed more than twice as often in alcohol ads as they were in cigarette ads. In both product categories, men were engaged more frequently in work activities, while women were engaged more frequently in social activities. In alcohol ads, erotic/romantic activities were present more often when females were alone than when males were alone.

PURPOSE OF THE STUDY

The purpose of this study was twofold. First, replication studies are important in furthering the existing knowledge in research fields. As Easley, Madden and Dunn (1994) pointed out, the marketing discipline historically has ignored the importance of replication research in favor of theory development. However, replication of research is important in establishing the generalizability of results because it tests across different times, settings, and places. Second, advertisers use ads to communicate their beliefs on gender relations and the status of males and females in society (Reid, King, and Wyant, 1994). Advertising, which is considered a form of social communication, mirrors the views not only of advertisers, but of society at large (Soley and Reid, 1988). The authors conducted this study to determine whether there had been a change in the way advertisers portrayed males and females in cigarette and alcohol advertisements in the period between 1990-1991 and 1993-1994. Such a determination will reveal whether advertisers, along with the public, have developed a more progressive view of women and their role in society.

LITERATURE REVIEW

In the last several decades, there have been numerous studies dealing with gender portrayals in magazine advertisements. One of the earliest of these studies revealed that magazine advertising reflected four stereotypes: "a woman's place is in the home; women do not make important decisions or do important things; women are dependent and need men's protection; and men regard women primarily as sex objects" (Courtney and Lockeretz, 1971). Since that time, studies have shown that, over time, advertisers have consistently increased their portrayal of women as sex objects and as decorations (Wagner and Banos, 1973; Sexton and Haberman, 1974; Kerin, Lundstrom, and Sciglimpaglia, 1979; Sullivan and O'Connor, 1988; Soley and Kurzbard, 1986). Later studies have shown that throughout the late 1970s and the 1980s, there was an increase in the portrayal of women in professional situations, although in many cases, women were working predominantly at "female" jobs (Belkaoui, 1976; Sullivan and O'Connor, 1988).

Recently, Busby and Leichty (1993), in studying forty years of gender portrayal in advertising, substantiated these results. They found that the number of women pictured in the home decreased from 35% in 1950 to 11% in 1989. However, the number of women in decorative roles was 73% in 1989, up from 54% in 1959. They found that women were more likely to be portrayed in decorative roles when advertising tobacco and alcohol, beauty products, clothing, and personal care products. In addition, although there was an increased portrayal of women in employment positions, the number was only at 5% in 1989, up from 1% in 1959.

METHODOLOGY

As in the original study, the following magazines were used: Atlantic, Essence, Esquire, Jet, Life, Newsweek, People, Rolling Stone, Sports Illustrated, Time, and Vanity Fair. From the June 1993-July 1994 publications of these magazines, unduplicated cigarette and alcohol advertisements were content analyzed for various characteristics. The coding variables and the variable definitions the authors used were identical to the ones used by Reid, King, and Wyant (1994). Because the original data were unavailable, it was impossible to test the statistical significance of any changes that may have occurred between the two time periods. The Pearson chi-square statistic was used to determine the significance of the differences found within the 1993-1994 period.

Coding Categories

Four properties of human models were analyzed for the study: model gender, model dress, model activity, and product presence and use. Human models were coded by gender. Later, the ads were divided by product category into those in which females were alone, those in which males were alone, and those in which females and males were together. Model dress was coded in four categories: demure, seductive, partial nudity, and nudity. Activity was coded as adventure/recreation, erotic/romantic, sociability, individualism, and work. Product presence was defined as the presence of the brand in the ad and product use was defined as model use of the product.

Coders and Coding Procedure

Four graduate students (two females and two males) coded the 394 unduplicated ads. The authors trained the students in the coding procedure through a discussion of the coding categories, and the students then practiced coding a sample of the ads. Working independently, two of the coders each coded all advertisements. Percentage of agreement was used to measure intercoder reliabilities, and variables attaining a .80 or higher level of agreement were retained for analysis. The first two coders recoded ten percent of the ads to determine intercoder reliabilities, and a .90 level of agreement was used.

The second pair of coders independently coded the variables on which the first two coders did not achieve 100% agreement. In this phase, coder reliabilities of .90 or higher were attained. These two coders later met to discuss their coding differences, and eventually achieved 100% agreement on the variables that were subsequently used in the analysis.

RESULTS

For this study, 394 alcohol and cigarette advertisements were content analyzed. The percentage of alcohol ads went up slightly (from 61.4% in 1990-1991 to 67.5% in 1993-1994), while the percentage of cigarette ads decreased slightly (from 38.6% in 1990-1991 to 32.5% in 1993-1994). Human models were present in a little over half (54.6%) of the 1993-1994 ads, up slightly from 50.5% in 1990-1991.

The portrayal of both genders occurred at approximately the same rate in the 1993-1994 period as in the 1990-1991 period. In 1993-1994, females were featured in half of the ads (56.1%), while males were pictured in almost three-fourths of the ads (71.6%). The sexes were pictured together in nearly one-third of the ads (30.7%). These findings were almost identical to those of the 1990-1991 study.

There was a marked increase in the portrayal of human models in cigarette ads (from 60% in 1990-1991 to 88.3% in 1993-1994), while there was a decrease in the number of alcohol ads with humans (from 45% in 1990-1991 to 34.6% 1993-

1994). In alcohol ads, males were depicted more often than females (85.8% as compared to 48.9%). However, males and females appeared at approximately the same rate in cigarette ads (65.5% and 61.9%, respectively).

Females in the 1993-1994 ads were more likely to appear alone in cigarette ads (34.5%) than in alcohol ads (14.1%), while men were more likely to appear alone in alcohol ads (51.1%) than in cigarette ads (38.1%). Men and women were more likely to be portrayed together in alcohol ads (34.8%) than in cigarette ads (27.4%). These results are similar to those of the 1990-1991 study.

Product Presence and Use

There were significant differences in the presence and use of the products in advertisements when compared by the gender of the models in the ads ($X^2=35.21$, 2df, $p\leq.000$; $X^2=41.93$, 2df, $p\leq.000$). A brand was present or was being used in eight of every ten ads in which females were pictured alone (82.7% and 80.8%, respectively), while the same was true of only three of every ten ads in which males were featured alone (33.3% and 30% respectively). The 1993-1994 ads in which males and females were together showed a decrease in the presence and use of the advertised brand (38.1% and 28.6%) from the 1990-1991 ads (56.8% and 49.2%).

Significant differences also existed when the ads were broken down by product category. In the 1993-1994 ads, a brand was present or in use in almost all of the cigarette ads in which females were pictured alone (97.4%). In contrast, brands were present in about four of every ten alcohol ads in which females were pictured alone (38.5%) or were in three of every ten such ads (30.8%).

Brands were present or in use in more than twice as many of the 1993-1994 cigarette ads (48.8% and 48.8%) that featured males alone as in alcohol ads that featured males alone (19.1% and 12.8%). On the other hand, brands were present or were being used in more than twice as many alcohol ads (43.8% and 37.5%) as in cigarette ads (19.4% and 19.4%) when males and females were pictured together.

Some slight deviations, overall product presence and use has remained the same over the two time periods. Cigarette or alcohol brands were present or were being consumed in half of the 1993-1994 ads (47.3% and 42.4%, respectively), a slight decrease from the 1990-1991 figures (56.8% and 52.8%, respectively). When males were featured alone or with females in the 1993-1994 ads, there was a decrease from the 1990-1991 period in the presence and the use of brands in both types of ads. However, there was an increase in the presence and the use of brands in cigarette ads when females were pictured alone.

Sex-Related Portrayals

In the 1993-1994 ads, there was a significant difference in model dress when broken down by gender ($X^2=10.19$, 2 df, $p\leq.01$). Nearly one-fifth (17.3%) of the ads in which females were featured alone contained some degree of nudity. On the other hand, when males were featured alone, or when males and females were featured together, they were almost always attired in typical dress (97.8% and 87.3%, respectively).

The 1990-1991 ads had similar gender portrayals. However, there was a decrease in seductive dress, partial nudity, or nudity in the 1993-1994 ads in which males and females were depicted together (from 27% to 12.7%).

In the 1993-1994 ads, there was no difference in model dress in cigarette ads. However, there was a significant difference in dress in alcohol ads ($X^2=22.15$, 2 df, $p\leq.0001$). Seductive dress or some degree of nudity was present in almost two-thirds of the alcohol ads in which females were pictured alone (61.5%) and in one of every four alcohol ads in which males and females were pictured together (25%). On the other hand, when females were pictured alone in cigarette ads, they were rarely dressed seductively (2.6%). There were no portrayals in seductive dress when males and females were pictured together in cigarette ads. In both cigarette and alcohol ads, males were dressed seductively in only a small percentage of ads (0% and 4.8%, respectively).

The 1993-1994 ads indicate that although there were less sex-related portrayals of women in cigarette advertising than

there were in the 1990-1991 ads, there were more of these portrayals in alcohol advertising. Also, there was a substantial decrease in the use of seductive dress in cigarette ads when males and females were pictured together.

Activity Portrayals

There were only minor differences in activity portrayals from one time period to the other. In the 1993-1994 ads, there were significant differences in all of the activity categories. The most frequently portrayed activity was sociability (29.3%), followed by adventure-recreation (22.4%), work (19%), erotic/romanticism (14.6%), and individualism (7.8%). Males were most frequently pictured at work activities (37.8%) while females were almost never pictured at work (1.9%). Also, males were more likely to be featured at adventure/recreation activities (21.1%) than were females (9.6%).

When males and females were pictured together, sociability was present in two of every three ads (63.5%). Adventure/recreation and erotic/romanticism were present in one of every three ads in which the genders were featured together (34.9% and 33.3%, respectively). Erotic/romantic activities were present in more than three times as many ads when females were alone as when males were alone (11.5% vs. 3.3%). In addition, sociability was present more often when females were alone than when males were alone (19.2% vs. 11.1%). Individualism was present in more than twice as many ads that featured males than females alone (13.3% vs. 5.8%), and was almost never present when the genders were together (1.6%).

An analysis of the ads by product category revealed several differences. In both ad categories, when males and females were pictured together, sociability was the most common activity present. Social activities, however, were more than twice as likely to appear in cigarette ads (83.9%) as in alcohol ads (43.8%). When females were alone, sociability was present more often in cigarette ads (23.1%) than in alcohol ads (7.7%). However, when males were alone, the activity was more often present in alcohol ads (14.9%) than in cigarette ads (7%).

In cigarette ads, adventure/recreation activities were most common in ads in which males appeared alone (23.3%) or with females (58.1). The percentage was somewhat lower for alcohol ads in which males were alone (19.1%), and substantially lower for alcohol ads in which males and females were together (12.5). On the other hand, adventure/recreation activities were present more often when females were alone in alcohol ads (15.4%) than in cigarette ads (7.7%).

When males were pictured alone, work was present in more than twice as many cigarette ads (55.8%) as in alcohol ads (21.3%). Work was never present in cigarette ads when females were alone or when males and females were featured together. Work-related activities were present in only a small amount of alcohol ads that pictured females alone or with males (7.7% and 12.5%, respectively).

Erotic/romantic activities were more frequently present when females were pictured alone in alcohol ads (38.5%) than in cigarette ads (2.8%). When both genders were featured, eroticism/romanticism was present more often in alcohol ads (40.6%) than in cigarette ads (25.8%). In both cigarette and alcohol ads in which males were alone, erotic/romantic activities were rarely portrayed (0% and 6.4%, respectively).

In cigarette ads, males were more likely to be depicted as individualistic than were females (9.3% vs. 2.6%). In alcohol ads, individualism was present at approximately the same rate for males as for females (17% vs. 15.4%). When males and females were together, individualism was rarely present in alcohol ads (3.1%) and never present in cigarette advertisements.

Comparing the 1993-1994 statistics to the 1990-1991 statistics, cigarette advertisers are portraying both sexes engaged in more adventure/recreation activities and in slightly less erotic/romantic activities. On the other hand, in alcohol ads, there has been an increase in erotic/romantic portrayals and a decrease in the presence of adventure/recreation activities. In addition, alcohol advertisers have slightly increased the number of women portrayed in work situations, while cigarette advertisers have decreased the number.

SUMMARY AND DISCUSSION

The authors conducted this study to determine if there were any changes in gender portrayals in cigarette and alcohol

advertisements in the time period from 1990-1991 to 1993-1994. The findings of this study closely parallel those of the Reid, King, and Wyant study (1994). The researchers made the following observations:

- * In both alcohol and cigarette ads, women were still featured with the advertised brand or in consumption of the product more often than men. Product presence and use has decreased in alcohol and cigarette ads in which males are alone and in alcohol ads in which females are alone.
- * In both product categories, females are still depicted in seductive dress more frequently than men, who are rarely portrayed in seductive attire. Depictions of seductively dressed females have increased in alcohol ads, while decreasing substantially in cigarette ads. There has also been a decrease in the occurrences of seductive dress in cigarette ads when males and females are pictured together.
- * In both product categories, men are still pictured more frequently than women in work activities, while women are engaged more frequently in social activities. Erotic/romantic activities were present more often when females were alone than when males were alone, though at a far greater rate in alcohol ads than in cigarette ads.

The figures presented overwhelmingly support the fact that, except for minor deviations, advertisers still perceive women as sex objects. In addition, the work place is associated more with men than with women. One of the only signs of progress was the decrease in the depiction of seductive dress in cigarette ads. However, such depictions increased in alcohol ads.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

The purpose of this study was to conduct a replication to determine what changes, if any, may have occurred in gender portrayals in cigarette and alcohol advertisements from 1990-1991 to 1993-1994. The Reid, King, and Wyant study (1994) was a worthwhile study to replicate because it provides invaluable insight into how advertisers view men and women in society. However, this replication has some limitations.

The reliability of data measurement becomes an issue when individuals must use their judgment to categorize data. This study utilizes percentage of agreement, which, because of its simplicity, is one of the most common methods of evaluating interjudge reliability. The major drawback of this method is that the number of coding categories distorts the results. Perhaps a better method of interjudge reliability would be the index of reliability developed by Perreault and Leigh (1989) which corrects for this limitation.

Admittedly, the length of time between the periods studied may not have been long enough to allow advertisers to make substantial changes. Perhaps five or ten year intervals would better serve to test whether advertisers are acquiring more progressive views of males and females. Also, without the data from the Reid, King, and Wyant study (1994), it was impossible to determine the statistical significance of the changes that occurred between the two time periods.

Future research can take several directions. An examination of the target markets of cigarette and alcohol companies could determine if there has been an increase in female cigarette and alcohol consumers. This, in turn, should guide the messages that advertisers send. Additionally, recent popular literature indicates a trend toward an increase in males portrayed as sex objects in advertisements (Rio, 1994; Lippert, 1994; Ingrassia, 1994). This trend indicates that women are no longer willing to remain complacent while they are objectified by advertisers and by society. The possible continuation of this role reversal and its implications on consumers and advertisers could be discerned through further research.

Finally, further research should address the informational nature of the advertisements. Shimp, Urbany, and Camlin (1988) found that unframed ads, or ads in which the advertising pictorials are not supported by the verbal content of the ad, are most often utilized for controversial products such as cigarettes and alcohol. In their study, the content of unframed ads was always characterized, or depicted, in a favorable manner. Shimp, Urbany, and Camlin (1988) theorize that by associating positive images with these products, advertisers may be trying to deflect consumers' attention from their harmful qualities. A study of the structure and the content of the messages sent by cigarette and alcohol advertisers would prove useful in determining the extent to which they use gender portrayals to distract consumers from the unredeeming qualities of the products.

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TEENAGERS' PERCEPTIONS OF THE INFLUENCE OF ADVERTISING AND PRICE VERSUS PEERS, PARENTS, SOCIAL CONTEXT, AND PERSONAL CHOICE ON THEIR CONSUMER BEHAVIOR

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ABSTRACT

This study examined the differences in the degree of perceived influence among teenagers regarding marketer- and non-marketer controlled factors in the product categories of alcohol and clothing purchases. Results showed that personal choice and peer influence were crucial in both categories, especially during the pre-teen and early teen years; price was very important for current purchases; advertising was notably unimportant for alcohol but much more important for clothing.

INTRODUCTION

Consumer behavior is a very complex process with many factors affecting purchase decisions (e.g., see O'Guinn, Allen & Semenik, 1997; Engel Blackwell & Miniard, 1990). Depending upon the individual consumer and the particular consumer behavior in question, some factors are more important than others, but it seems reasonable to conclude that it is a combination of factors that converge to produce the purchase of products and services.

Advertising is only one of these many factors involved in purchase decisions and is one of several marketer-controlled factors, including price, packaging, placement, media selection, distribution, promotion, and others. For many consumer behaviors, if not most, non-marketer-controlled factors have powerful effects on whether a given product or service is purchased or not, purchased in initial trial or in repeat purchases, and which brand is purchased. Advertising of mature products already known to and used by consumers has its most potent effect on brand preference, helping to maintain current brand share and to attract those amenable to switching brands at the time of purchase (O'Guinn, et. al., 1997; Engel, Blackwell & Miniard, 1990).

This study examined teenagers' perceptions of the influence of advertising and price in comparison to other major factors affecting their consumer behavior, including peers, parents, social context of product use, and personal choice. Advertising and price are the key marketer-controlled factors and the others non-marketer-controlled. Consumer behavior measured included first-time use, current usage, and current brand preferences for alcohol and clothing purchases.

BACKGROUND AND PREVIOUS RESEARCH

Non-marketer-controlled factors such as peers, parents, older siblings, and intrapersonal variables have been repeatedly identified in previous research among young consumers in various product categories (e.g., Bearden & Etzel, 1982). In the area of teens and clothing purchases, Zollo (1995) has thoroughly documented the role played by peers, including what teens choose to wear as part of group in which they already hold membership or in hopes of being accepted into a group where they are not yet a member; also of interest is how peers can dictate what is unacceptable clothing and apply pressure in a negative sense. For initial purchases at a younger age, parents also play a role (Zollo, 1995).

In the area of alcohol consumption behaviors among minors (ages 20 and under), the influence of peers is routinely acknowledged. As Bochner (1994) put it: "One of the more robust findings in social psychology is the power of the peer group to influence adolescent behaviour and attitudes. This pressure extend into the domain of so-called 'substance use.' a term used in connection with alcohol, tobacco, and all the other legal and illegal drugs people use, abuse, and become dependent on (p.70)." There is general acceptance in the literature that the "initiation, maintenance, and cessation/prevention of substance use in teenagers is critically affected by peer group pressure, implicit or explicit (e.g., see Morgan & Grube, 1991; Telch, et. al., 1990; Glynn, 1981; Graham, Marks & Hansen, 1991; Collins & Marlatt, 1981; Chassin, Presson & Sherman, 1984; Fromme & Dunn, 1992).

The role of alcohol advertising as it affects consumption has also been studied (e.g., see Atkin, Neuendorf & McDermott, 1983; Strickland, 1984; Aitken, et. al., 1988). Research findings indicate that while there are some reported positive correlations

between drinking and awareness of alcohol ads, no research has provided evidence of any causal connections (Fisher, 1993).

To date, no research has looked at the degree to which adolescents perceive the influence of marketer-controlled and non-marketer-controlled factors on their consumer behavior. It is important to measure both types of factors at the same point in time. If adolescents are asked to consider only non-marketer-controlled or marketer-controlled sets of factors in isolation of one another, comparative influence cannot be reliably assessed. It is also useful to examine different product categories to see if perceived influence varies from one product to another. In this regard, it seems wise to ask if alcohol consumption (initiation, current use and brand preference) differs in the factors that affect consumption when compared to another age-appropriate category -- clothing. Finally, it seemed useful to look at consumer behavior in response to these factors in terms of first-time use, current usage, and current brand preference.

HYPOTHESES AND RESEARCH QUESTIONS

The following hypotheses were tested:

1. We predicted that for alcohol consumption, advertising would be significantly less influential than non-marketer-controlled factors regarding first-time use and current alcohol consumption; advertising would be significantly more influential for alcohol brand preference than for first-time use and current alcohol consumption. Our rationale here is that advertising plays its most significant role in influencing brand preference. Previous research shows that peer pressure/influence, the drinking habits of parents and older siblings and intrapersonal variables are far and away the strongest influences on the decision to start drinking and to continue to drink alcohol.

2. We predicted that for alcohol consumption, price would be significantly more influential for brand preference and current alcohol consumption than it was for first-time use. Our rationale here was that when teens have their first experience with alcohol, they are ordinarily not thinking about price; they are eager to start drinking. Later on, when available financial resources are important (as they are to most college students), price becomes more of a factor in how much they drink and which brands they purchase.

3. We predicted that for clothing purchase behavior, price would be significantly more influential than a majority of the non-marketer-controlled factors except for personal choice. Our rationale here was that for first-time clothing purchases, cost would be a major concern whether the teen was spending his or her own money or parents were paying for the purchases. Current consumption and brand preferences would likewise be governed in large part by how much various items cost. A teenage female, for example, might want to purchase a Versace blouse but be unable to do so because of its \$750 price tag; one of similar style from another store with much lower prices would be the only possible alternative. Price of course makes a substantial difference to college students who have severely limited financial resources available for clothing purchases.

4. We predicted that for clothing purchase behavior, advertising would be rated as significantly more influential across all categories compared to alcohol consumption. Our rationale here was that clothing advertising would be more effective in working in concert with peer groups to influence for initial purchases, current purchases, and brand preferences compared to alcohol consumption. Based on the research literature, it was clear that the decision to start drinking alcohol and to continue to drink would be different in important ways from decisions about clothing purchases. Clothing is a necessity; drinking alcohol obviously is not. Wearing the right style and brands of clothes are both important to most teens and advertising has an important role in providing information about styles and popular brands.

5. We predicted that for clothing purchase behavior, price would be rated as significantly more influential than at was for alcohol consumption in the three categories of first-time use, current consumption, and brand preference. Our rationale here was the clothing purchases had a much high per-item cost associated with them as compared to alcohol. And, given the fact that participants were all college students, price would be a very important factor.

6. Overall, we predicted that personal and interpersonal sources would be significantly more influential than other non-marketer-controlled and marketer-controlled factors. Our rationale here was that young college students would like to think that they are less susceptible to influence from advertising than they really are. This would be reflected in assigned more influence to

factors such as “personal choice,” “perceived enjoyment,” “same-sex friend,” and “significant other.”

METHODOLOGY

The Sample

We surveyed 143 undergraduates who were enrolled in an introductory communications course at a small Midwestern university. The sample was skewed toward females (66%). More than half the sample was composed of 17-19 year olds with more than 80% 17-22 years old.

Procedures

Participants were guaranteed anonymity by using a cover sheet which contained only a space for the student's name. When the student turned in the completed questionnaire, the cover sheet was removed by the research assistant and placed in a separate pile for recording participation for the extra credit. In this way, students were free to answer all questions openly and honestly without fear that their responses would be matched to their names. Students were also informed that their answers would in no way affect their standing in the university, with the professor teaching the course, or in the course itself. Students participated voluntarily to earn extra credit toward their final course grade. More than 95% participated, ruling out any “volunteer” bias in the results.

The Questionnaire

Participants filled out a questionnaire that elicited personal, demographic information: age, gender, year in school, ethnicity, household type (campus or off-campus). For alcohol consumption, three situations were posed. The first asked participants to think back to the first time they drank alcohol; the second asked about how much they currently drink alcohol; the third asked about the brand(s) of alcohol they currently drink. In each of the three areas, the degree of perceived influence was sought. Categories were each rated on a 1-7 scale with 1 representing “no influence” and a 7 indicating “very influential.” Categories included the following factors: advertising, price, social setting, seen on TV programs or movies, perceived enjoyment, need to relieve tension/relax, personal choice, opposite-sex friends, same-sex friends, significant other, and parents. A ratings category “does not apply” was also provided for each of the items. When this rating was circled, the respondent was eliminated from the analysis on that particular item.

For clothing, the process was the same. First-time purchase of clothing, current purchases, and brand preferences were rated. Categories were the same, except the “need to relieve tension/relax” item was eliminated because it was irrelevant to this category.

We selected alcohol and clothing as the two categories for comparison. Both are extremely important to college students and have been so since early adolescence. While some students did not drink prior to college, the decision or pressure to drink is nearly universal. Clothing of course has always been and continues to be an important consumer concern. Again, some may resist or rebel against prevailing styles, but the pressure remains as a factor for all clothing purchase decisions, like it or not.

Statistical Analysis

The appropriate statistical model for analysis of results was a within-groups multivariate analysis of variance (MANOVA). The .05 level of statistical significance was used for the overall Wilk's test and for follow-up comparison of individual means via Scheffe's test. Our main concerns centered on the comparison of marketer- versus non-marketer-controlled factors, differences among these factors, and differences from one type of consumer behavior to another.

RESULTS

The first hypothesis predicted that for alcohol consumption, advertising would be significantly less influential than non-marketer-controlled factors in the categories of first-time use and current consumption (how much they currently drink). This hypothesis was clearly confirmed (see [Table 1](#)). The factors of personal choice, the perceived enjoyment or fun of drinking, and

the influence of same-sex friends were the strongest cited influences of the first-time drinking experience. The only non-marketer-controlled factor that was in the same approximate range of means as advertising was the influence of a significant other. This undoubtedly occurred because the first-time experience occurred at an early age when there was no “significant other” or it was a boyfriend or girlfriend in an early dating situation.

It was also predicted that advertising would be significantly more influential for alcohol brand preference than for first-time use and current consumption. [Table 1](#) confirms this hypothesis. It should be noted, however, that the mean (2.30 on a 7-point scale) is still quite low, suggesting that respondents acknowledge some small influence of advertising on their current brand preferences. It may also be that they are pretty well set in the brands they choose, and, subsequently, might have considered advertising irrelevant (as opposed to reinforcing their brand loyalty).

The second hypothesis predicted that for alcohol consumption, price would be significantly more influential for brand preference and current alcohol consumption than it was for first-time use. [Table 1](#) also confirms this hypothesis. This result seems most reasonable in that first-time drinking experiences are marked by the individual’s willingness to drink and have the “fun” associated with the experience. Later on, price becomes more important as available financial resources would limit how much was purchased and which brands. Many students in our sample reported selecting the “cheapest available” brands of beer for daily use and especially for parties.

The third hypothesis predicted that for clothing purchase behavior, price would be significantly more influential than a majority of the non-marketer-controlled factors except for personal choice. [Table 2](#) presents the results that confirmed this prediction. While personal choice was the most influential factor cited in each of the three categories of first-time purchase, current purchases, and brand preferences, price was rated the second (two categories) most influential or third (one category). Most clothing purchases represent greater investments than food items or other personal items. It is not surprising that price would be important, especially to students who must temper their purchasing desires with financial realities.

The fourth hypothesis predicted that for clothing purchases, advertising would be rated as significantly more influential than it was for alcohol consumption in the three consumption categories of first-time use, current consumption, and brand preference. This prediction was clearly confirmed. All three categories of clothing consumption were significantly higher on the advertising influence factor than the three categories of alcohol consumption. Despite having only two different product types in this study, advertising’s perceived influence is substantially different for alcohol and clothing.

The fifth hypothesis predicted that for clothing purchases, price would be rated as significantly more influential than it was for alcohol consumption in the three categories of first-time use, current consumption, and brand preference. This prediction was also clearly confirmed; all three clothing categories were rated significantly more influential on the price variable as compared to the alcohol categories. Given the difference in average per-item cost, these results were not at all surprising.

The sixth hypotheses predicted that overall, personal and interpersonal sources would be significantly more influential than other non-marketer-controlled and non-marketer-controlled factors. This hypothesis was largely confirmed. In the alcohol category, personal choice, perceived enjoyment, same-sex friends, and significant other were significantly more influential than advertising. The exception to this was price in the current consumption and brand preference categories. For clothing, personal choice, perceived enjoyment, same-sex friends, and significant other were the most influential. Price and advertising were both cited as having significant influence. Advertising and price were both significantly more influential in affecting clothing purchases as compared to alcohol consumption behaviors.

Gender: No differences in gender were predicted, based on the two product types selected. For students, who were participants in this study, alcohol consumption is a social, cultural fact of life, perhaps even more so than decisions made for clothing purchases. In only one area was a statistically significant gender effect observed: first-time clothing purchase. Females were significantly more likely to be influenced across all ten categories as compared to males (Females 4.1; Males 3.6; $F = 4.76$; $p < .03$). Males did indicate varying amounts of influence; just not as much as reported by females.

DISCUSSION, IMPLICATIONS FOR FUTURE RESEARCH, AND LIMITATIONS

This study provides some insights into the process through which advertising and price (marketer-controlled) influence the consumer behavior of teenagers in comparison to personal choice, peers, parents, and social context factors (non-marketer-controlled). While previous research has examined advertising's influence on consumers and the influence of price, and other studies have measured the influence of peers, parents, ethnicity, etc. on various consumer behaviors, this study asked respondents to evaluate all the major sources of influence at the same time. Moreover, different stages in the consumer life cycle were measured, including first-time use/purchase and brand preference. Two different types of products were also incorporated: alcohol and clothing; both were highly relevant as consumer products to the participants but represented different types of consumer behavior.

The results confirmed the hypotheses. Regarding alcohol consumption, it is clear that teens' perceptions of advertising's influence rate it as inconsequential when alcohol was first used and for current amounts of consumption; advertising was more influential in affecting brand preference, but the mean score was still very low. This suggests that as a product class, alcohol consumption is shaped more by price, personal choice, perceived enjoyment, relief of stress or tension, friends, and significant others. Clothing, however, presented a different picture when it comes to advertising.

For clothing purchases, advertising (along with price) was much more influential for first-time purchases, current purchases, and brand preferences as compared to advertising's role in the alcohol consumption/purchase area. Personal choice and perceived enjoyment were perceived as the most influential, followed by friends. Both advertising and price were rated as having some considerable influence on their consumer behavior.

The results of this study suggest a number of important implications. First, the analysis points to crucial differences from product to product and for different stages of product use regarding the operation and effectiveness of marketer-controlled factors. For the alcohol industry, these results support the contention that advertising is not at all influential in affecting the decision to start drinking or how much alcohol is consumed. It is also clear that advertising plays a small yet vital role in affecting brand preference. Here, the industry may be overestimating the significance of advertising as tool for maintaining brand loyalty, at least among consumers who are younger, more price conscious, and on a limited budget. Alcohol consumers with limited financial resources are apparently quite willing to trade more expensive brand choices for less expensive alternatives. It seems useful for beer marketers to determine how large a segment of their audience fits these characteristics.

For the clothing industry, advertising is perceived to have a significantly more important role, even among price-conscious consumers. This result may be due in large part to the array of different styles and types of clothing available in the marketplace and/or the large number of competitors. Students reported the use of media ads for clothes as a way to "see" what their peers are wearing, how the clothes look and whether they seem right for them. Advertising also seemed to have some influence on brand preference, which of course was not surprising.

One implication for clothing marketers is that the amount of advertising can make a difference, even among consumers on limited budgets. Successfully competing for visibility (i.e., share of voice) seems crucial to attract the attention of prospective buyers. For these consumers, advertising that stresses value also seems critical. Getting a good quality item that "looks good" for a reasonable price would be a recommended area of emphasis for a campaign.

Future Research

More research is needed to accomplish several key objectives: (1) studies that include more product types; (2) studies that incorporate different ways of measuring the comparative impact of the marketer-controlled and non-marketer-controlled factors; in this regard, developing different items to get respondents to think about how advertising may be (or may have been) influencing them; for example, for consumers who generally buy the same brand of beer, does the advertising for that brand make an impact?; (3) studies that address the strengths and limitations of measuring influence from the point of view of the person being influenced; if self-report measures like those used in this study bias responses, can this bias be quantified? Can the bias be accurately gauged as to whether it is an over- or under-estimate of influence; (4) studies that use different research methodologies to try and assess the same variables; is it possible to combine self-report procedures with other forms of data collection?

Limitations

This study is limited in a number of ways. First, it uses only a sample of teens/young adults and from just one university. Still the products studied are both very appropriate for the respondents we used. Second, the use of self-report of influence may bias the results. But, as mentioned previously, how much bias and in which direction(s)? It does seem reasonable to allow that individuals may be influenced by various factors and not even be aware of it or be unwilling to admit influence. In this study, however, students were more than willing to use open-ended opportunities to explain the ratings they gave and what they meant for the high, medium or low score assigned to the various factors. Finally, the sample was skewed to females. As reported earlier, though, no important gender differences were observed.

Summary

This study has identified the ways in which various marketer-controlled (advertising and price) factors and non-marketer-controlled factors (personal choice, peers, parents, and social context) are perceived to have influence on the consumption behaviors of students in the product categories of alcohol and clothing. Personal choice, perceived enjoyment, and peer influence were perceived to have the most influence overall. In the case of alcohol, advertising was inconsequential for first-time use and current consumption, while being somewhat influential for brand preferences; price was important for current consumption and brand preference. In the clothing category, advertising was more important, especially for first-time purchases, but also for current consumption and brand preferences; price was a very important factor across all types of consumption situations. Marketers of alcohol products would profit from knowing that advertising is inconsequential in affecting minors' decision to start drinking or to continue drinking and that advertising is perceived to be only of minor importance in affecting brand preference. Marketers of clothing would benefit from these findings in that advertising and price are both very important sources of influence. A marketing campaign stressing value (quality item for a reasonable price) would "connect" with the consumer needs of those young people with limited budgets.

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Table 1. Summary of Alcohol Consumption Behaviors+

<u>Influence</u>	<u>First Time Consumed</u>	<u>Current Use</u>	<u>Brand Preference</u>
Advertising	1.71f	1.75e	2.30d*
Price	1.63f*	3.04c	3.22c
Social Setting	2.62e	2.37cd	1.81e*
Seen on TV Programs/Movies	1.98ef	1.64e	1.65e
Perceived Enjoyment	4.25b	4.52b	4.29b
Need to Relieve Tension/Relax	2.58e	3.34c*	2.29d
Personal Choice	5.32a	5.90a*	5.37a
Opposite-sex Friends	3.17d	2.76c	2.90c
Same-sex Friends	3.84c*	2.79c	2.83c
Significant Other	2.20ef*	3.08c	2.95c
Parents	3.03d*	2.39cd*	1.47e*

+ The higher the mean, the greater the perceived influence.

* Means marked with an asterisk indicate a significant difference for the means in that row.

Column means marked with *different* subscripts are statistically significantly different from one another at the .05 level or less.

Table 2. Summary of Clothing Purchase Behavior⁺

<i>Influence</i>	<i>First Time Consumed</i>	<i>Current Use</i>	<i>Brand Preference</i>
Advertising	3.77c*	3.03e	3.23d
Price	4.83b	5.05c	5.04b
Social Setting	2.09d	1.89f	1.59f
Seen on TV Programs/Movies	3.56c*	2.99e	2.90de
Perceived Enjoyment	4.48b	5.58b*	4.77c
Personal Choice	6.17a	6.40a	6.23a
Opposite-sex Friends	3.29c	3.20e	2.92de
Same-sex Friends	4.80b	3.26e	3.29d
Significant Other	3.06cd	4.07d*	3.52d*
Parents	3.69c*	1.98f	1.76f

⁺The higher the mean, the greater the perceived influence.

* Means marked with an asterisk indicated a significant difference for the means in that row

Column means marked with different subscripts are statistically significantly different from one another at the .05 level or less.

AN EMPIRICAL STUDY OF EXPORT PRODUCT ADAPTATION AND ITS ANTECEDENTS FOR TURKISH EXPORT VENTURES

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ABSTRACT

Building on previous research suggesting that the degree of product adaptation is affected by export market, industry, product, and firm-related characteristics, a comprehensive theory of product adaptation in export markets focusing on the factors that determine export ventures' product adaptation in export markets is described. The theory is tested in a sample of 421 Turkish export ventures. Results indicate that government regulations, customer characteristics, expectations, and preferences, as the characteristics export-market environment are associated with the degree of product adaptation. Among the remaining antecedents, product type, cultural specificity and technology of export product, firm's international competence, and the perceived importance of market potential and profitability also affect the degree of product adaptation. It is also noteworthy that these findings do somewhat change across different types of export products.

ANTECEDENTS OF THE COMPONENTS OF EXPORT MARKET ORIENTATION: A STUDY OF U.S. EXPORTERS

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ABSTRACT

Although prior research efforts on market orientation have contributed greatly to our understanding of the development of this construct and its consequences, these studies have typically limited the realm of their investigations to the domestic arena; thus, the impact of different, or more potent, environmental forces of concern to international marketers have been largely ignored. The purpose of this study is to investigate the market orientation of firms who choose to operate across geographical borders (i.e., exporters) to understand if and how factors unique to the international environment may influence the adoption of market-oriented behaviors.

Cadogan and Diamantopoulos (1995) reconceptualized market orientation as consisting of the generic behaviors of *generation*, *dissemination* and *responsiveness*, which are undertaken and processed by the organization via a *coordinating mechanism*. Based upon the literature and in-depth interviews with 14 U.K. based exporters, Diamantopoulos and Cadogan (1996) developed a propositional inventory; their propositions, which we have adapted for testing purposes, are represented here as our hypotheses:

- H₁: *The higher the complexity and turbulence of the export market environment, the greater the intelligence generation activities.*
- H₂: *The higher the export dependence, the greater the intelligence generation activities.*
- H₃: *The greater the export experience, the greater the intelligence generation activities.*
- H₄: *The higher the export dependence, the greater the intelligence dissemination.*
- H₅: *The larger the organization, the greater the intelligence dissemination.*
- H₆: *The greater the export experience, the greater the intelligence dissemination.*
- H₇: *The greater the export experience, the higher the responsiveness of the firm.*
- H₈: *The greater the export intelligence generation and dissemination process, the higher the responsiveness of the firm.*
- H₉: *The stronger the coordinating mechanism, the greater the firm's export intelligence (a) generation, (b) dissemination and (c) responsiveness.*

The sampling frame for this study consisted of *The Export Yellow Pages*, distributed by the U.S. Department of Commerce. From this publication, the names of 2036 U.S. firms were randomly selected and mailed questionnaires. Two mailings produced 206 usable questionnaires. Adjustments for ineligibles produced a conservative response rate *estimate* of 22%.

To test H₁ to H₉, a series of multiple linear regression equations were formulated; MANOVA was used to test H_{9a-c}. H₁, H₂, H₄, H₈, and H_{9a-c} were supported. H₃ received partial support; only export destination diversity and degree of involvement in exporting were associated with intelligence generation. Partial support was provided for H₆; only degree of export involvement was associated with dissemination. H₅ and H₇ were rejected.

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GAINING COMPETITIVE ADVANTAGE THROUGH STANDARDIZATION AND DIFFERENTIATION OF SERVICES

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ABSTRACT

The goal of the paper is to study the question of whether or not differences between cultural groups influence the decision of a consumer wishing to avail himself of a particular service. Therefore we have developed a semiotic extension of the means-end approach as the theoretical basis for elaborating a solution to this problem. The conjoint analysis specifies the results of the means-end analysis.

INTRODUCTION

At the beginning of 1994 the German Railways became a private company. The platform for the reform was a package of new laws and modifications of existing laws concerning liberalization of the European railways. The turn around in the branch implies that the underlying goal of the German Railways AG's actions must be to offer commodities and services that fulfill buyers' needs and wants.

To explain, which factors the managers of the German Railways AG have to look at, when they create their customer orientated service offers, an exact knowledge is necessary about the relationship between the values, which determine the buying behaviour in a certain way, the benefits, which are transported through the service and the decision relevant attributes (Peter, J.P., Olson, J.C., 1990). With the help of the 'means end' theory we are able to show, that this relationship can be analyzed. Nevertheless the approach has its limits, when one tries to explain, if the cognitive structures of the consumer are influenced by a cultural-specific socialization. This aspect is highly important when the German Railways AG wants to offer customer-orientated services on the international tracks.

A SEMIOTIC EXTENSION OF THE MEANS END THEORY AS THE BASIS FOR RESEARCH

Essential Aspects of the Means-end Theory

The means end theory posits that linkages between product attributes, consequences produced through consumption, and personal values of consumers underlie their decision-making processes. *Means* are products or services, and *ends* are personal values important to consumers (see Claes, C., Swinnen, A. and Vanden Abeele, P., 1995, p.193). The means end theory seeks to explain how a person's choice of a product or service enables him or her to achieve his or her desired end states (see Peter and Olson, 1987).

Two assumptions underlie the model: (1) all consumer actions have consequences; and (2) all consumers learn to associate particular consequences with particular actions they may take. Consequences may be desirable (benefits) or undesirable. Further, consumers choose those actions that produce desired consequences and minimize undesired consequences (see Reynolds, T.J., Gengler, C.E., Howard, D.J., 1995). Personal values are beliefs people have about important aspects of themselves and the goals toward which they are striving (see Rokeach, 1973). As a core aspects of self personal values are held to provide consequences with positive or negative valences (see Reynolds, T.J., Gutman, J. 1984, p.29). Overall, the attribute-consequence-value interrelations are the focus of the theory (see Gutman, J., 1982, p.82). Values provide the overall direction, consequences determine the selection of specific behaviors in specific situations, and attributes are what is in the actual product or services that produce the consequences (Reynolds and Gutman, 1984). A small part of the knowledge structure of an individual, can be constructed using the specified means-end elements. A consumer's intention to purchase a product (e.g. *Nike* sports shoes) initially causes the concrete (e.g. "with heel supports") and abstract (e.g. "good fit") attributes associated with it to be activated. This

impulse is then propagated via the functional (e.g. "can run faster") and socio-psychological (e.g. "feel relaxed after running") utility components, before finally reaching the instrumental (e.g. "physical fitness") and terminal (e.g. "self-esteem") values.

The Contribution of Semiotics towards Research into Cross-cultural Preferences and Values

As the science of signs and symbols, general semiotics is concerned with the origins, structures and effects of sign systems (See Werner, U., 1993, p.182). Since communication takes place by means of signs, it too constitutes a domain of semiotic science. In view of the fact that a purchase act can also be interpreted as communication between the demander (consumer) and the supplier, semiotics can contribute towards explaining this phenomenon (See Le Boeuf, C., 1977, p.49).

The important term for this discipline, the "sign", is described for example by *Saussure* as something (signifier) which represents someone or something (signified) (See Eco, U., 1972, p. 26). A sign only acquires a meaning when it is related to other signs and when it is perceived and interpreted by the sign user within his socio-cultural environment (See Le Boeuf, C., 1977, p. 50). Furthermore, an important role is played in semiotics by the concepts of denotation and connotation. The "concrete" meaning of a sign, which corresponds to the dictionary definition, is referred to as the denotative (See Bode, M., 1996, p.166). Each sign has at least one denotative and evokes subjective and emotional ideas (connotations). In contrast with the denotatives, these connotative associations are not usually value-neutral (See Karmasin, H., 1993, p.114ff). Which signs have which meanings, in other words how signifiers are related to signifieds is laid down by a set of socially accepted rules - the culture-specific *code*. During the interpretation phase the recipient assigns the signifier a signified that may take on the characteristics of a sign and must be decoded. This process continues for as long as is necessary to comprehend the sign. The formation of associative chains can be explained in this way (See Eco, U., 1977, p.188).

This culture-specific code not only affects the interpretation of a sign, however, but also its perception and the behavioural reaction triggered by it. In addition to the set of socially accepted rules, so-called schemas also play a significant role in the development of culture-specific perception, thought and behavioural patterns. These are neurologically stored abstractions of empirical knowledge, which is linked to specific expectations and thus exerts a behaviour-controlling influence (See Werner, U., 1993, p.184). Experience can be either acquired or handed down, and has the effect of consolidating an individual's conceptions as to which phenomena lead to which consequences and which signs are related to which meanings.

The Relevant Effects of Culture-specific Sign Systems for Purchasing Behavior

With the help of semiotic one is able to explain the act of buying as a communication between seller and consumer (Le Boeuf, C., 1977, p. 49). The "material" product or service corresponds to the signifier of a sign, which is only filled with contents (signified) when it is interpreted by the sign user (See Le Boeuf, C., 1977, p.31 and p.53f). The consumer works out the meanings of a commodity with the aid of his schemas and his "national" code, and assigns so-called semantic attributes to it (Le Boeuf, C., 1977, p.64). If a product is able to offer a meaning, it satisfies not only the functional utility expectations on which the denotative is based (i.e. the so-called "musts" of a product, see Karmasin, H., 1993, p.224), but also the socio-psychological needs of the customer, and at the same time suggests a potential means of fulfilling his set of personal values (See Hoshino, K., 1987, p.44f).

The concept of culture as a complex system of signs also embraces three culture-specific subsystems that are relevant to purchasing behavior, namely the culture-specific code, the culturally influenced patterns of perception, thought and behavior (schemas) and the sets of values of a cultural group (See Werner, U., 1993, p.183). From the point of view of the individual, culture thus represents a perceptual filter and an interpretation framework which help to mould individual (purchasing) behavior.

A Semiotic Interpretation of the Means-end Theory

In order to be able to achieve a product design which is demand-oriented in every respect, a company must be aware of the sign semantics on which culture-specific consumption patterns are based. If information is available about whether or not consumers on the national markets attach a similar importance to a particular bundle of services, decisions can be taken regarding the standardisation of supplies of goods and services.

The culture-specific behavioural patterns of consumers can only be explained and forecast with the aid of semiotic findings that account for the cultural dependence of associations. All the elements of a means-end chain are thus subject to a cultural influence. This influence is evident in the form of perception-guiding schemas from the moment the product attributes are perceived onwards - considered to be the starting point of the means-end chain. The aforementioned attributes form the signifier, which is assigned a particular signified in accordance with the culture-specific code. In the context of the means-end theory these contents refer to a defined level of the hierarchically structured product knowledge, namely to the product's utility. During the next stage of the association process these utility expectations take on the role of a signifier, which is assigned signifieds on the basis of a code. According to the means-end theory, the semantic meanings of this association refer to the consumer's culturally influenced set of values. Values represent the interface between culture and individuals (See also Karmasin, H., 1993, p. 192f) (see Fig.1).

It can be clearly seen that it is not the product, to which a standardization strategy should be applied, but rather the meanings and values that are linked to it. The goal of a cross-culturally active company must therefore be to acquire a knowledge of the cultural codes prevalent in the relevant cultural groups and to identify the ideas that consumers in the two countries concerned associate with a particular product category. The "meaning" and the value dimensions then determine the design of the product.

If the aim is now to design services on the basis of the means-end analysis, the next step is to "work through" the means-end chain practically in reverse order. If consumers in the countries in question strive to achieve the same values, in other words if they would like identical meanings to be implied by the services, this is not necessarily an indication that the culture-specific meanings are linked to the same sign complexes (product attributes) (Fig. 2). If this is the case, however, it makes sense to standardize the entire marketing mix (Fig. 3). It could even be deemed advisable to standardize services if the sets of values which are prevalent in the countries in question differ, but the two culture-specific codes nevertheless assign identical signs (attributes) to the relevant meanings (Fig. 4). In this instance, the standardized service bundle should be marketed using subtly differentiated communication concepts. If the prevailing values not only differ, but are also linked to different signs both the design of the services and the communication concepts should be subtly differentiated (Fig. 5).

CROSS-CULTURAL DESIGN OF SERVICE TAKING THE EXAMPLE OF GERMAN RAILWAYS AG

The Means-end Study

To get an understanding which one of the four described strategies is the best for the German Railways we conducted an empirical study. The field research based on the hypothesis, that the analyzed consumers in the different countries interpret the various 'means end' elements cultural specific. In contradiction to the empirical studies done by *Valette-Florence et al.* (1991) and *Baker/Knox* (1995) we focus on a service and not on a concrete product (Baker, S., Knox, S., 1995).

To test the hypothesis and to get informations how to generate value-orientated services, 76 travelers (39 German and 37 French) were interviewed in May and June 1996. To discover the utilities of the services for the consumer and his value structure, the interviewers conducted laddering interviews. The objective of this non-standardized interview is to investigate the behavior-forming forces which determine an individual's choice of commodity.

Once the data has been collected, the contents of the interview must be analyzed. In this case, the persons charged with analyzing the raw data defined a total of 27 categories. Table 1 shows that the fundamental (terminal) motives which caused the railway customers to choose rail as their means of transport to the other country were a *zest for life*, *self-esteem* and *satisfaction*. The railway traveler associates these values with concrete product attributes, such as a reasonable price, traveling by rail, traveling stress-free, short journey times and direct connections. The individual responses were then structured on the basis of the determined categories. The outcome of this process was the individual means-end ladders. Table 2 compares the characteristic means-end chains of two different cultural groups. As one can see, the presumed differences between the german and the french travelers exist. In coincidence with the study of *Valette-Florence et al.* the journey by train results for the german travelers in an augmentation of the self-esteem. The french travelers associate with that kind of transportation the value *zest for life*. Nevertheless we found similarities between the german and the french travelers. To get a deeper understanding of the structure of the consumers the focus laid on the identification of cross-cultural-target-groups. The values were used as a segmentation variable.

As a first result, the study pointed out, that in coincidence with the insights from the semiotic research the travelers interpreted the means end elements cultural-specific. It was interesting to see, that the consumers` gave the same answers with regard to the decision relevant attributes, but that for most of the germans traveling by train is associated with the value self-esteem, while the french consumers` this kind of transportation is motivated by the value zest for life. For the German Railways AG this means to follow the strategy of a customized standardization. Furthermore if the managers of the German Railways AG would like to offer new services to their customer, it seems reasonable to think about performance attributes which the German rail actually not has in their service portfolio and which the german or french clients associate with the values self-esteem or zest for life.

The Conjoint Study

Although the means-end analysis helps us to identify the product attributes that are considered by a cross-cultural customer segment to be relevant to a purchase decision, it cannot provide an answer to the concrete levels these attributes should have. Moreover, insufficient information is available about the degree of preference for specific attributes or attribute levels to be able to assemble an actual service bundle. Further the researcher will be unable to make a definite concerning the actual amount a customer is prepared to pay for a defined bundle of services.

Since values represent culture-dependent phenomena, this leads us to suspect that the members of different cultural groups attach divergent levels of importance to the same value and therefore express different degrees of preference for service bundles. These culturally-based preference differences can be measured, for example, with the aid of a conjoint analysis (See e.g. Hair, J./Anderson, R./Tatham, R./Black, W., 1990). This approach consists of a series of psychometric methods, the purpose of which is to determine the partial contributions of individual attributes (e.g. the price, place and time of a holiday) towards the formation of the global judgement (e.g. the preference for a particular travel company) from empirically obtained global judgements concerning multi-attributive alternatives (e.g. the various services offered by the travel company).

Before the buyers were actually interviewed, it was necessary to specify which service attributes and their levels are relevant to the purchase decision. The findings of the means end analysis were a useful aid. The defined categories based on the means-end interviews were disaggregated with the help of railway clients and some experts. Was for example a stress-free journey the reason why the consumer has decided to go by train, it was necessary to specify this need and to translate it into technical attributes. If, within the framework of this survey, the respondents mentioned concrete attributes (e.g. stress-free travel) for which one or more variants exist, a conjoint analysis enables the partial utility values for two (or more) attribute levels to be determined. Similarly, whereas the evaluation of the means-end analysis produced abstract attributes (comfortable traveling), when it came to the conjoint analysis the interviewees were confronted with several different attributes (service of the stuff, phone, entertainment, etc.) and several different levels. A total of 18 attributes with 76 levels were then generated on the basis of the means-end analysis and a pilot study. Owing to the large number of attributes, the utility values were calculated with the aid of an adaptive conjoint analysis. The relative importances shown in [Table 4](#) were determined from the aggregate partial utility values obtained in this way.

In both Germany and France, the price and the time spent traveling are the most important criteria affecting the choice of the means of transport. Germans however attach greater importance to a short journey time than the French. The introduction of a high-speed link between Frankfurt and Paris thus appears imperative if German Railways AG is to maintain or expand its competitive position. Germans attach greater importance to a high-speed traffic link than their French fellow-travellers, and set a higher value on it. As a detailed analysis revealed, the Germans are moreover distinguished by a higher price acceptance in relation to short journey times. Since the culture-specific price utility and price-demand curves indicate a target price of approximately DM 250 for both countries, the price-segmenting process should result in a figure slightly above these limits for Germany and slightly below them for France. With regard to the other transport and miscellaneous services, the two countries only deviate from one another to a minor degree, so that a standardization strategy can be recommended for them.

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Fig. 1: Embedment of culture in the means-end chain

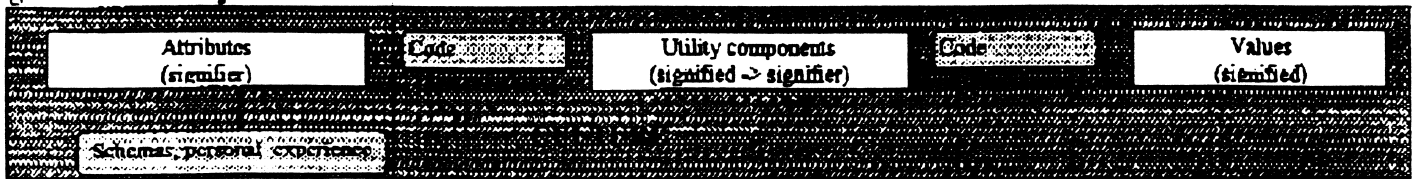


Fig. 2: Conditions for tailored differentiation of services

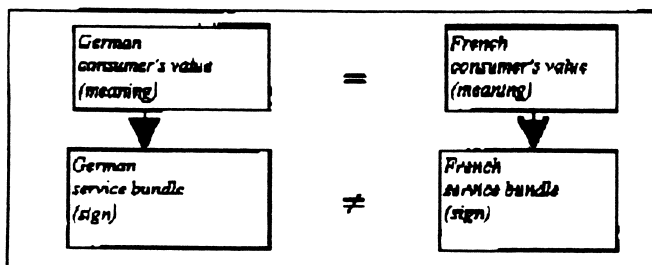


Fig. 3: Conditions for pure standardization of services

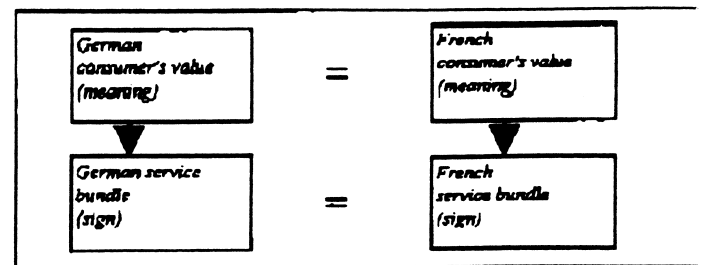


Fig. 4: Conditions for customized standardization of services combined with differentiated communications policies

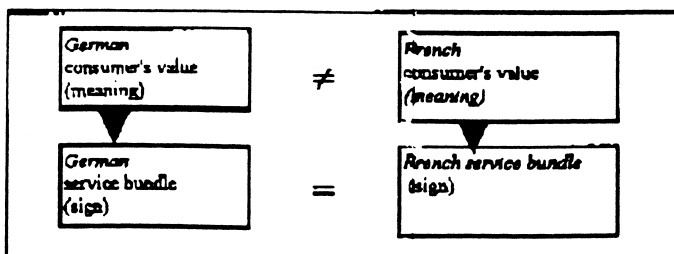


Fig. 5: Conditions for pure differentiation of service bundles and communications policies

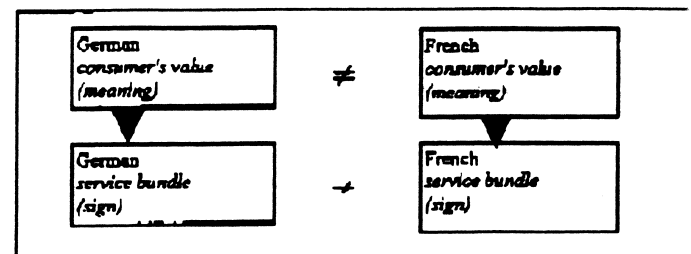


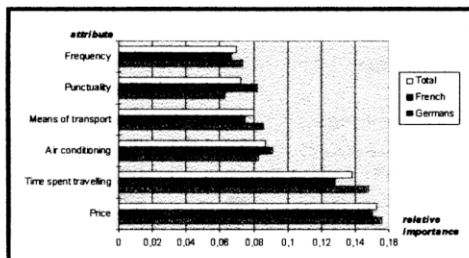
Table 1: Response categories for the means-end analysis

Elements in means-end chain	Categories
Concrete attributes	1. Reasonable price 2. Travel by rail 3. Stress-free travel 4. Short journey times 5. Direct connections
Abstract attributes	6. Pleasant 7. Safe 8. Environmentally friendly
Functional utility	9. Sense of being active 10. Enjoying the countryside 11. Feeling fit on arrival 12. No wasted resources (time, money, environment) 13. Getting to know new people 14. Spontaneous course of journey
Socio-psychological utility	15. Feeling of traveling 16. Feeling good 17. Well-balanced professional life 18. Well-balanced private life 19. No need to feel afraid
Instrumental values	20. Success 21. Enjoyment 22. Living responsibly 23. Curiosity 24. Being there for one another
Terminal values	25. Zest for life 26. Satisfaction 27. Self-esteem

Table 2: Comparison of typical, culture-specific means-end chains

	Germans	French	Total random sample
Concrete attributes	Travel by rail	Travel by rail	Short journey times
Abstract attributes	Pleasant	Pleasant	Pleasant
Functional utility	Feeling fit on arrival	Feeling fit on arrival	Feeling fit on arrival
Socio-psychological utility	Feeling good	Feeling of traveling	Feeling good
Instrumental utility	Living responsibly	Living responsibly	Living responsibly
Terminal utility	Self-esteem	Zest for life	Zest for life

Table 4: Relative importance of selected attributes of a means of transport



ADAPTATION OF THE BUSINESS CONCEPT AS A FACTOR IN ENTREPRENEURSHIP: THE CASE OF HISTORICALLY DISADVANTAGED SOUTH AFRICAN ENTREPRENEURS

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ABSTRACT

This paper explores the concept of adaptation, and examines whether traits commonly associated with the entrepreneurial personality are associated successful adaptation of one's original business concept. Results are reported of a survey of historically disadvantaged South African entrepreneurs. The findings suggest that tolerance of ambiguity and an internal locus of control (positively) and risk taking (negatively) are associated with adaptation of the business concept.

INTRODUCTION

Entrepreneurship has been defined in terms of "new combinations of resources" (Stevenson, et al, 1989). As such, there is some level of novelty, newness and innovativeness involved in any start-up venture. The entrepreneur is dealing with the unknown, which implies both uncertainty and risk. The uncertainty concerns not only the nature and size of the opportunity, but also the design of a business concept that seeks to capitalize on that opportunity.

While one could debate whether venture failure is more often related to an inadequate opportunity (i.e., either non-existent or too small) or a poor business concept (i.e., incomplete, inconsistent, ill-defined, or not sufficiently unique), certainly the latter is more controllable by the entrepreneur. Further, although much is made of the entrepreneur as a visionary, one might question how many entrepreneurs are sufficiently prescient as to define the business concept correctly from the outset. Having recognized an opportunity, some entrepreneurs actually do specify a business concept that succeeds with virtually no modification from the beginning. However, it would seem far more likely that one of the following scenarios develops in the large majority of instances. The entrepreneur:

- has a well-defined and sound concept, doesn't stay with it long enough, and fails;
- has a well-defined and sound concept, modifies it when it should not have been modified, and fails;
- has a good concept that initially works, but market circumstances quickly change, and he/she makes the necessary adaptations;
- has a general concept with some promise, but he/she succeeds only because of timely adaptation of the concept as circumstances evolve;
- has a partially or completely ill-defined concept, makes significant changes to it, and succeeds;
- has a concept that is poor from the beginning; he/she refuses to make modifications before it is too late;
- has a concept that is poor from the beginning, and in spite of his/her willingness, no amount of modification can salvage it;

The first two scenarios above are concerned with timing, and the nature of the window of opportunity. The other five are concerned with good and bad concepts that succeed or fail as a function of how well the entrepreneur adapts the concept over time. It is our contention that these last four scenarios are not only the most common, but that timely adaptation represents one of the most critical factors explaining entrepreneurial success.

The purpose of this research is to examine the concept of adaptation as it relates to the creation of a successful start-up enterprise. In this context, adaptation refers to the entrepreneur's willingness and ability to make appropriate adjustments to one's business concept as the venture evolves from an initial idea to a business plan, to an operational enterprise, to a growing concern, and ultimately to a successful business.

THE CONCEPT OF ADAPTATION

Much emphasis is placed today on the "learning organization" and the "learning manager". In this context, learning refers to "the acquisition of new knowledge by actors who are able and willing to apply that knowledge in making decisions or influencing others in the organization" (Miller, 1996, 485). The outcome of organizational learning is that "the range of potential behaviors is changed" (Wilpert, 1995, 59). Stated differently, *adaptation* is the result of learning. There is some evidence of a relationship between an organization's dependence on a "concentrated critical environment" and the amount of attention spent by an organization on learning about that environment in order to satisfy or influence it (Markoczy, 1994, 5). This relationship can be extended to include organizational adaptation, by describing how organizational practices and structures adapt to the demands of a given environment. Thus, an organization's ability to adapt is a direct result of its ability to learn collectively about the environmental factors that influence that organization.

Some of the factors that appear to determine an organization's ability to adapt to changing environments include culture strength, tradition, and operating economics (Burack, et al., 1994). The role of the organization's leader in this process has been described in terms of "facilitating the adoption of an organizational vision, maintaining the necessary, long-term focus on goals (as these goals evolve), and overseeing the continual adaptation of the organization to its changing environment" (Kobrak, 1993, 319).

Adaptation is likely to occur in different degrees and ways depending on where an organization is in its life cycle. For instance, it has been posited by that innovation (as a form of adaptation) differs in type and rate between small and large firms (Lengnick-Hall, 1992). Adaptation would seem more critical in the start-up or early stages than at any other time in the life cycle. Not only are products, markets, channels, and marketing approaches not well-established, but the organization is not well-buffered from external developments, but there is often meaningful environmental turbulence, such that one bad move can mean the demise of the business. The ability to learn and adapt becomes a key venture competency. Of course, adaptation implies a level of flexibility, which is an attribute associated with start-up ventures. And yet, in start-up ventures, learning is not likely to be as well-organized or systematic as in other stages of the life cycle. External networks are not well-defined or solidified, and the company's intelligence gathering systems are typically unsophisticated and uncomprehensive in terms of the range of variables in the environment (e.g., competition, technology, etc.) that are regularly monitored.

CHARACTERISTICS OF THE ENTREPRENEUR

The most heavily researched area in entrepreneurship involves determining psychological and sociological characteristics associated with entrepreneurial behavior. Three of the most consistent findings in that research concern tolerance of ambiguity, locus of control, and risk-taking proclivity.

Tolerance of Ambiguity

An ambiguous situation is one which cannot be adequately structured or categorized by an individual because of the lack of sufficient cues. Problem definitions and goals are often unclear and conflicting. Findings suggest that intolerance of ambiguity is a generalized personality trait where uncertain, complex and novel situations are threatening (Budner, 1962). Some people seem to tolerate high levels of ambiguity before eventually imposing order, whilst others seem to prefer ambiguity as a way of avoiding unpleasant facts. For some people, tolerating ambiguity implies personal failure of understanding or skill (McCaskey, 1982)

The principal characteristics of ambiguous situations can lead to denial and risk averting behavior and, while large bureaucratic organizations can afford to respond in this manner, entrepreneurial organizations cannot (Jelinek and Litterer, 1995). Begley and Boyd (1986) demonstrated that founders of small firms displayed higher tolerance for ambiguity and propensity for risk taking than non-founders. Bird (1989) suggests that the entrepreneur's comfort with uncertainty and tendency to be energized by not knowing how, when or where a solution to a critical concern will come may be more important to the success of a venture than is his/her generalized risk preference.

Start up entrepreneurs generally experience low revenues at the beginning, lack organization, structure and controls, and endure constant change. Jobs are typically undefined and changing continually, customers and co-workers are new, and setbacks

and surprises are commonplace. Further, entrepreneurs must be able shift from function to function, role to role, one day stuffing envelopes, the next, at an investors' meeting. They must also be able to adapt their time frames from long term to short term and vice versa, in times of uncertainty. This leads us to the following research hypothesis.

H1: The greater the intolerance of ambiguity the lesser the degree of adaptation of the business concept.

Locus of Control

Locus of control is a generalized expectancy pertaining to the connection between personal characteristics and/or actions and experienced outcomes. An internal locus of control may therefore be associated with a more active effort to affect the outcome of the business venture through ongoing adjustments (Brockhaus, 1982). Bird (1989) argues that being able to make something happen is a defining behavioral competency of entrepreneurs and that this "can do" belief is related to other beliefs about control. Entrepreneurs have been characterized as internals and believe their behavior to be relatively decisive in determining their fate (Gasse, 1982). One study demonstrated that internals more actively seek out strategic information and knowledge relevant to their situation (Seeman and Evans, 1962). Such information search would seem to be a critical requirement for adaptability. Brockhaus (1982) found that business owners who survived three years in business had a greater internal locus of control than those whose businesses had not survived. Accordingly, the following hypothesis is proposed:

H2: A stronger internal (versus external) locus control will be associated with a greater degree of adaptation of the business concept.

Risk taking Propensity

The essence of the entrepreneurial function is risk measurement and risk taking. Risky situations involve two or more alternatives where at least one alternative exposes a person to a chance of loss. Risk is perceived, and so is a psychological construct. The available research indicates that established entrepreneurs tend to be moderate or calculated risk takers (Brockhaus, 1982). They make calculated risk assessments, based on information not available to, or not appreciated by, others. However, calculated risk-taking implies an awareness of the various risk factors that surround the venture and their underlying sources. Such an awareness also implies a recognition of the need to plan for contingencies, making modifications to one's approach as specific risk factors materialize. This leads us to our third and final research hypothesis:

H3: The entrepreneur's risk taking propensity will be positively associated with the degree of adaptation of the business concept

THE STUDY

South Africa provides an especially relevant context within which to study entrepreneurial adaptation. Blacks in South Africa have historically been subject to onerous and pervasive discrimination, with their political and economic freedoms severely limited. This would suggest a need for flexibility and adaptability in order for black-owned entrepreneurial ventures to have survived, much less prospered. The past few years have witnessed rapid and unprecedented change, some of which directly impacts blacks, and some of which affects all commercial enterprises. Some of the key changes include: the dismantling of apartheid and transformation from a minority to a majority government; the removal of international sanctions and exposure to global competition; rapid technological change; a more powerful labor movement; deregulation of formerly protected industries; and changing customer profiles, as the black population asserts its spending power.

The desired sample was successful black-owned businesses less than five years old. To obtain a representative sample of black owned companies, a directory of such firms was obtained from a company that provides network opportunities for black companies. Seventy firms were contacted and asked if they would fill out a mailed survey, and, once filled out, whether they would participate in an interview. Those contacted were restricted to the Western Cape region in South Africa. The manufacturing, electrical, retail and service industries were represented. Twenty-one owners completed both of the questionnaires described below, for a response rate of 30%.

Two separate research instruments were designed, one as a mail questionnaire and the other to be completed during a one to one interview with the owner. The first questionnaire was constructed to measure personality traits, and was a self report inventory, using established personality measures. Budner's Scale (1962) was employed to test intolerance of ambiguity, and it consists of 16 items measuring novelty, complexity and insolubility. To measure locus of control, Levenson's (1981) Internality, Powerful Other and Chance (IPC) Scales, was utilized. The measures of risk were those proposed by Timmons (1990). The second questionnaire was developed to capture the degree of adaptation of the original business concept. The business concept is conceptualized here in terms of seven components: products or services offered, target customer profile, distribution, facility or space requirements, marketing approach, personnel resources and financial requirements. The entrepreneur was asked to indicate the degree to which he/she had changed, modified or adapted each of these seven factors between the time they first came up with the concept and the present day. The response scales employed a 5-point (1=extensive change, 5=no change) set of alternatives.

RESULTS

To facilitate the analysis, three aggregate scales were computed. An overall measure of tolerance of ambiguity was created by summing together the 16 measures. Reliability and item analysis was conducted and resulted in an alpha coefficient of 0.85. With a possible range of 16-80 (lower scores = more tolerant) the mean and standard deviation for the scale were 46.04 and 6.38, respectively. An aggregate measure of locus of control was computed by summing together the items in the scale. An alpha coefficient of 0.71 was produced for this scale. With a possible range of 24-120 (lower scores = more internal), the mean and standard deviation for the scale were 77.66 and 6.77, respectively. A comprehensive measure of risk taking propensity was computed by summing together, the 3 items in the scale. Here, an alpha coefficient 0.65 resulted. With a possible scale of 3-15 (higher scores = more risk-taking), the means and standard deviation for the scale were 9.52 and 1.86, respectively.

As expected, the degree of adaptation of the business concept in these successful firms was significant. [Table 1](#) provides a summary of means and standard deviation for the degree of adaptation in each of the seven business concept adaptation areas. The highest degree of adaptation occurred in respect of products and services, personnel requirements, marketing and facility requirements. A comprehensive measure of adaptation was computed by summing together the degree of adaptation of each of the seven dimensions reflected in [Table 1](#). Cronbach's alpha for the set of adaptation items was .83. With a possible range of 7-35, the mean and standard deviation for the summated scale was 17.47 and 6.10, respectively

Each of the proposed research hypotheses was tested using these computed measures. Given the sample size, some data transformations were necessary with regard to the composite adaptation scores, as discussed below. Correlation analysis was run between intolerance of ambiguity and the computed adaptation measure. As was expected, a higher intolerance of ambiguity was negatively associated with adaptation of the business concept ($r = -0.44$ and $P < .05$). Next, using a median split, the total adaptation score and the scores for each component of adaptation were divided into high adaptation and low adaptation. T-tests were run to assess the extent to which entrepreneur's locus of control differed for firms demonstrating a high degree of adaptation compared to those with a low degree of adaptation. The difference was significant, with a more internal locus of control demonstrated by entrepreneurs in the high adaptation group. And a more external local of control in the lower adaptation group ($t = 3.82$, $P < 0.01$). Again using a median split on adaptation, t-tests were run to assess the extent to which risk taking propensity of the entrepreneur differed in respect of firms who had a high degree of adaptation from those who had a low degree of adaptation. Greater risk taking propensity was found to be associated with a higher degree of adaptation of the business concept ($t = 42.84$, $P < 0.00$).

CONCLUSIONS

Our focus was successful ventures. In general, they demonstrate a moderate to significant amount of adaptation. The findings of this research are consistent with Timmons (1990) argument that high levels of uncertainty require flexible and adaptive approaches to organizations. Further, while there was variance, the entrepreneurs tended to have more of an internal locus of control, to be moderate in terms of their tolerance of ambiguity (with a slight skew towards intolerance) and to be moderate risk-takers. Notwithstanding the limited sample size, the findings provide support for the hypotheses linking these three personality traits to adaptation.

These findings are especially interesting given the context within which they were produced. Black entrepreneurs in South Africa have had to overcome a long history of obstacles and constraints well beyond those encountered by the typical

entrepreneur. In this study, we looked at successful, formal sector entrepreneurs. The odds against blacks have been much greater in the formal sector compared to the informal sector, which is the venue where most black entrepreneurship occurs in South Africa. Given this, the fact that these individuals demonstrated significant adaptability is not surprising. However, the consistent link between certain personality characteristics and adaptation would reinforce the importance of the entrepreneur himself/herself. More specifically, it would reinforce the importance of the entrepreneur's background, family upbringing, role models, educational experiences, and related life experiences, and the extent to which these background variables reinforce an internal locus of control, a comfort level with ambiguity, and willingness to examine risk factors and take calculated risks.

However, the findings also have implications for entrepreneurs of all types in any number of other environmental contexts. Much is made of the need for entrepreneurs to have vision, to identify substantive opportunities, and to develop innovative business concepts that fit with the opportunity (i.e., the ecological niche). A good business plan conveys both the opportunity and the concept. However, neither is etched in stone. Opportunities are fluid and move in new directions. While any number of business concepts might profitably capitalize on a given opportunity, the extent to which they do so is probably a function of how each concept gets adapted over time. It may be far more important to have a concept that loosely fits the opportunity and then proactively adapt as things evolve, than to lock into specific commitments that limit the directions in which the venture can move. Examples of such limiting commitments within the marketing mix might include positioning a company around a fixed product line that includes a mix of two (deep) product lines and two support services, and the corresponding personnel, capital equipment, inventory and facilities necessary to sell those particular products and services. It might include a long-term tie-in with a particular distribution channel, the hiring a personal salesforce, overly aggressive pricing early on that leads to a particular image, and any number of other marketing mix alternatives.

Adaptability is also probably linked to intelligence gathering. It implies an external focus, and the need to continually interact with suppliers, customers and middlemen. Entrepreneurs must establish systematic methods for tracking developments in technology, regulation, customer needs, market segments, competitor activities, social change, exchange rates, and related environmental variables. As such, adaptation may well be associated with the marketing concept, which in recent conceptualizations is approached in terms of gathering, disseminating, and acting upon market intelligence.

This research is exploratory in nature, but does provide direction for future research. The sample size needs to be expanded. With a larger sample further insights into the various variables may be generated. Very little research has been done on female or black entrepreneurs in South Africa. It may be of value to explore the personality traits of black and female owner to see whether there tolerance of ambiguity, locus of control and risk taking propensities are significantly different, given their different educational background and life experiences. Further studies should more precisely define the sample size in terms of stage of growth and size of the organization. It may well be that adaptation is influenced by age of the venture and experience in a particular industry. The impact of environmental factors on behavior also warrants attention. It may be appropriate develop a model which is more interactive, that takes into account the impact of the entrepreneur personality as well as the impact of the environment on the behavior of entrepreneur. Intolerance of ambiguity warrants further investigation particularly the relationship between environmental turbulence, intolerance of ambiguity and the degree of adaptation of the original business concept. Finally, more work is needed is developing and validating measure of adaptation, and ascertaining the underlying dimensionality of this construct.

Table 1: Means and Standard Deviations for the Various Components of Adaptation

Components indicating degree of adaptation	Mean	SD
Change in product/service	2.19	1.12
Change in customer profile	2.61	1.20
Change in physical facility requirements	2.33	1.31
Change in distribution	2.76	1.22
Change in marketing tools	2.33	1.06
Change in financial requirements	3.04	1.68
Change in personnel requirements	2.19	1.28

5 point scale, where 1= extensive change and 5=no change

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AN INVESTIGATION OF THE SOCIAL CONSTRUCTION OF THE ENTREPRENEURIAL PERSONALITY BY MEANS OF THE CRITICAL INCIDENT TECHNIQUE

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ABSTRACT

This paper introduces an alternative theoretical approach to understanding the nature of the 'entrepreneurial personality'. It argues for placing wealth creation at the heart of entrepreneurial behaviour, and establishes criteria for distinguishing *within* a population of business owner-managers the entrepreneurs from the rest. As there is no psychometric tool for measuring such characteristics, a grounded methodology is suggested, termed social constructionism. This method is applied to five case studies.

INTRODUCTION

The problems associated with defining and identifying entrepreneurial traits has been well rehearsed (Chell, 1985; Gartner, 1989a). A predominant view was the so called "behavioural approach" which suggests that we can address the issue of what entrepreneurs *do*, but we cannot expect to understand entrepreneurs or entrepreneurship by an examination of what they *are* (Gartner, 1989a). However, it has been argued that there is a relationship between what people do and what they are, and that "traits" may be considered to be categorising constructs for describing or interpreting behaviour (Hampson, 1988; Chell et al., 1991). However, no progress can be made unless (a) the assumptions underlying any proposed theory are laid bare, and (b) the definitions and arguments upon which they theory is developed are clear.

DEFINITION OF ENTREPRENEURIALISM

The crux of any attempt at a definition of what counts as *entrepreneurial behaviour* is what differentiates it from other types of behaviour. Theoreticians have suggested that *the* entrepreneurial act is business founding. The problem is (a) the assumption that the population of business founders is homogenous prior to the act of founding (Gartner, 1989b), and (b) the idea that business founders are 'entrepreneurs' only at the point of start-up is clearly of limited value for it tells us nothing about *sustained entrepreneurial performance*. There are two separate arguments which take us closer to identifying behaviours which differentiate entrepreneurs. (1) The Capitalist Argument: this argues that (1) ownership, (2) the marshalling of resources, and (3) the assumption of risk for the sake of profit, are both necessary and sufficient conditions of entrepreneurship. (2) The Opportunist Argument: suggests that entrepreneurial behaviour is distinguished by *the relentless pursuit of opportunity regardless of the resources currently under control* (Stevenson *et al.*, 1989). Here ownership is not a necessary condition of entrepreneurship. Further, to maintain a viable business it is necessary to make a surplus. The distinguishing features here are between survival and maintenance on the one hand and growth on the other. Growth may be measured in terms of capital accumulation and wealth creation and *not* necessarily in the physical growth of the particular enterprise. Making a modest but necessary surplus permits survival/maintenance, while the relentless pursuit of opportunity permits capital accumulation and wealth creation. It is the latter which indicates and enables us to recognise sustained entrepreneurial performance when we see it.

SOCIAL CONSTRUCTIONISM

Social Constructionism is about understanding or sense-making, but it is more fundamentally about the nature of knowledge (Berger and Luckmann, 1966). From experience and accumulated understanding (knowledge) a person chooses to act, that is, chooses particular ways of engaging with the world. Behavioural acts form patterns, thus we not only label the particular behavioural act but we also come to recognise the characteristic way a person deals with particular situations and we label their behaviour as such. Hampson (1988) has put forward a social constructionist paradigm which enables the systematic investigation of social interaction, meaning and personality attribution. This paradigm assumes that social reality is negotiated and contested by means ultimately of language, that is, by the application of categories in order to place a construction (i.e. interpretation) on social

interaction. That personality and behaviour are closely linked is beyond question but the psychometric paradigm has assumed that this linkage is deterministic. Social constructionism suggests that, from their prior history and experience, a person identifies and develops ways of dealing with situations which reflect in part what they want to achieve and what impressions they wish to make. This behaviour is perceived and a construction placed upon it.

A study of the 'entrepreneurial personality' which adopted a social constructionist framework examined the behaviour of business owners in relation to critical incidents they identified and associated with the growth of their business (Chell and Haworth, 1992a&b; Chell, Haworth and Brearley, 1991). The assumptions made were: (i) there is a relationship between overt behavioural acts and trait concepts (Hampson, 1988); (ii) the population is heterogeneous therefore it will be possible to differentiate amongst the business owners and as such identify crucial differentiating behaviours; (iii) *a priori* the differentiating behaviours are unknown but are likely to be related to business development and growth orientation; (iv) growth or non-growth of a business will provide an important context from which to evaluate and interpret behaviour; (v) psychometric measures are not appropriate as the likely characteristics are not self-evident; (vi) size of business is an important contextualising factor shown to affect the type of problems to be dealt with and hence the behaviour of the owner-manager (Churchill, 1983). A summary of the total profile of entrepreneurial characteristics is given in Chell *et al.*, 1991: 76, 154).

THE CRITICAL INCIDENT TECHNIQUE

CIT has been developed as an exploratory tool for the identification of those issues or events which the respondent identifies as being key to the phenomenon in question (Chell, 1997). The technique has the advantage of focus. This enables the interviewer to probe aptly and provides a 'hook' on which the interviewee may hang his/her account. Accounts provide 'thick' context rich descriptions developed from the interviewee's perspective. Validation of the accounts can be done by use of documentary sources and/or interviewing at least one other person in the role set. However, beyond factual information, the account is the interviewee's interpretation of events. A further advantage of this method is that it enables the researcher to relate context, strategy and outcomes (Chell and Adam, 1994), to look for repetition of patterns of ways of doing, and thus to build up a picture of the procedures, process and tactics adopted for handling difficult or exceptional situations. In sum, the method is intended through the process of a largely unstructured interview to capture the thought processes, frame of reference and the feelings about an incident or set of incidents which have meaning for the respondent. In the interview the respondent is required to give an account of what those incidents meant for them, their life situation and their present circumstances, attitude and orientation.

RESEARCH OBJECTIVES

The primary objective of this research was to test the Chell methodology for differentiating business owner managers against a profile of entrepreneurial attributes identified in a previous study (Chell *et al.*, 1991). Having identified the Entrepreneur; to examine evidence of their opportunistic behaviour and the ways in which they marshal resources in order to exploit opportunity. Finally, to examine evidence of sustained entrepreneurial performance.

FIELD STUDY

Primary data were collected by means of Critical Incident interviews with 25 Business Owner-managers in two industrial sectors during the period March-April 1994. The sectors comprised: manufacturing and included food and drink processing; service which included hotels and event catering. The location of these businesses was Auckland, Wellington and Christchurch, New Zealand. The size of the businesses in terms of numbers employed was around 25 and 100 employees.

Experts from each industrial sector were contacted and lists of potential firms were identified. These firms were purposively selected and those which were known to be growth-oriented were contacted. The rationale was to increase the likelihood of identifying entrepreneurially led businesses.

In this paper the five businesses in Food Processing are presented as case studies. Given the adoption of grounded theory and a social constructionist perspective, it is appropriate to analyse each case in detail and to examine any emergent patterns. These can then be considered against the research questions or propositions which this particular paper seeks to address.

FINDINGS

1. *Heterogeneity of the Business Owner-managers*

The five case studies were all SMEs taken from the food processing industry and comprise a 5 year old Bakery (bought and managed by Joe), a 43 year old meat processing plant (founded by Russell and his brother, deceased), an eleven year old biscuit factory (founded by Michael, and now jointly owned with his brother), a thirteen year old bakery/cakes & pasta (bought by Richard and jointly owned with a financial partner), and a three year old factory producing fresh soup (founded by Jonathan, looking to expansion through a joint venture).

The businesses vary in age, size, product type, but are all in the food processing business. All the businesses have grown over the period of their establishment and all continue to be on a growth/expansion trajectory. The business owners are all male and all the business partners are male.

The transcripts of the Critical Incident Interviews were coded using the Chell Entrepreneurial Personality Profile (Chell *et al.*, 1991). A comparison was made of each business owner's profile in terms of the number of text units and the predominant categories of behaviour which were coded. Russell has the lowest profile (55 text units) and tended to be "reactive" to events. For example, a large supermarket chain *approached them* to pack sausages under the supermarket's own brand label. Whilst the company undoubtedly took opportunities, there was a relatively low level of awareness especially given the lengthier period of time over which the business had been established. It was concluded that Russell fitted the "administrator" profile rather better than that of the "entrepreneur". He had an eye for strategy; for example, keeping the business 'lean and mean'. His son-in-law had now "moved into the job of General Manager" and was slowly taking the company forward. Developments were almost wholly paid from retained profits and in extremis a bank loan. Thus the financial strategy was cautious.

Richard and Joe had similar profiles; Richard scored 119 and Joe 123. Both had many years of professional management experience: Joe in the Baking industry and Richard in property development. Joe took a job in an ailing business and after 6 months decided he would buy it and turn it round. He took a two thirds share and insisted that he have the control to make the drastic changes that were needed. Richard bought a business which produced cakes and was ripe for being taken to the next stage of development. He brought in a partner for was able to finance developments but otherwise largely took a backseat. The overall profile suggests that Joe was more entrepreneurial than Richard, though the strength of Richard's opportunistic behaviour and his clever way of handling the financial aspects of the venture suggest the importance of examining the critical incidents in detail.

Jonathan had a score of 189. He demonstrates a strong entrepreneurial profile and like Michael was strong on ideas and envisioning future possibilities. The company started as an event catering company with a manufacturing side which they developed to offset the seasonality of the catering business. Three years prior to the interview Jonathan had taken a strategic decision to develop the manufacturing side and get out of catering altogether. He had the idea of producing fresh foods on a large scale and used as his model Marks and Spencer where he had worked when training in London. He recognised that to achieve this goal a large investment was needed. This he reasoned meant aligning themselves with a company which had the capital, the distribution and the marketing competencies. The manufacturing business had been running for just 11 months when he took the decision to form a joint venture.

Michael's profile (score 243) was that of a *prototypical entrepreneur*. Michael ran small business ventures as a school boy and could not settle down to the university education which his father desired for him. However, he did get some basic business studies qualifications from the polytechnic and then took a 6 month job in North America promoting Ski New Zealand. This gave him just enough capital (NZ\$10,000) to set up his own business. He tried two ideas which did not take off and on the

third attempt he developed the idea which became his present business. Michael is primarily an ideas person but is also very resourceful. His business skills and management inclination are relatively low. He recognised this at an early stage with a financial crisis: sales had fallen off and there was insufficient in the business to sustain it without measures being taken. His brother was home from university; he persuaded him to help manage the finances and between them they also developed the customer base. He brought his brother into the business and they each have half shares. Michael has a strong sense of opportunity which he pursued relentlessly. Now he recognises that there is more to lose. So he guards against risking the business and continues to develop new ideas.

In the next sections we show why the differences in profiles appears to be important.

2. Awareness of Opportunity

The case of Russell poses an immediate problem of his precise role in identifying the business opportunity. It was his elder brother who suggested that they set up a “small goods factory” and being an engineer by training Russell’s immediate role was to repair “some old clapped out sausage equipment”. The brother was a “freelance seller” and although he used these skills in the business Russell also learnt the skills of salesmanship “awful fast”. Circumstances played an important part in enabling the business to take off quickly (within 3 months) because there was a strike in the industry thus disabling much of the competition and enabling the two brothers to take advantage of this opportunity.

Richard in his early thirties, having spent his career hitherto in property with several European multinationals decided that he would like to quit and do something for himself. He returned to New Zealand and “bought a business for sale out of the newspaper”. In fact it was his wife who had “cut it out of the newspaper” whilst he was sailing a boat half-way around the world. He described the business as a ‘hot bread shop’. It employed 4 people. To exploit the business opportunity he would need to develop the product into something that would sell well to the supermarkets. He did some market research before buying the business to satisfy himself that the market for the products he had in mind could be sold in Australia. However, the opportunity could not be realised unless he dealt with the problem of extending the product’s shelf-life. Here Richard showed his ingenuity by (a) seeking information from technologists in packaging; (b) innovating by adopting technology used in the dairy industry and applying it to his product range. The industry was organised in such a way as to sell everything on a sale or return basis. This was costly. By introducing the new technology Richard effectively revolutionised the industry; the competition who had resisted introducing the technology now had no option but to follow suit.

Joe had spent all his working life (25 years) in the baking industry as an employee. He now wished to do something for himself. He spotted a business he knew and took a job there for 6 months before deciding he wanted a share in the company. He was keen to turn the business round and bought a two thirds share in the business plus an understanding with his new business partner that he would be in control of the changes he deemed necessary and that his partner’s role was merely to stand by the decisions that Joe made. Joe’s turnaround strategy was: (a) reduce the number of product lines from 30 to 4; (b) change the name of the business; and (c) increase the quality of the product. He restructured product distribution and kept a tight rein on costs. He has now started to export and develop new more profitable lines.

Jonathan comes from a family of restaurateurs. As a trained chef he has had two restaurants, a manufacturing and a catering business. These businesses were not profitable. He dropped everything other than the manufacturing business. This was a critical decision. It meant that to be successful he would need distribution and marketing skills. He judged that an effective way of achieving this was by means of a joint venture. He described this decision as “an absolute risk”. But the gamble came off.

The development of Michael’s business was a succession of opportunity taking. His idea for the business was not original (it was inspired by Mrs Field’s Cookies). He hadn’t got the funds to set up a retail outlet so he decided he must identify shops which would act as distributors. He would “get a bakery to bake them, couriers to deliver them and ... sit in the middle and reap the profits”. His relentless pursuit of opportunity became very clear: instead of having 4 outlets he ended up with 75! He couldn’t get a baker to bake them, so he made and distributed them himself. He eventually rented a bakery but even that required persistence

as it was the fifteenth who agreed to the rental.

In sum, all these business owners pursued opportunity at some stage in the business, but there were subtle differences. Russell's brother took the initial founding opportunity. However, opportunities were typically reacted to rather than created. Richard was highly proactive in evaluating and developing opportunity. Joe's tactic for evaluating opportunity was to work in the business for 6 months until he had worked out how the failing business could be turned round. His approach to exploiting business opportunities was both analytical and strategic. He also had enough knowledge of the industry to be able to operationalise his plans and systematically turn the business round. Being a going concern, there were resources within the business which Joe could draw upon; there was no sense of Joe pursuing opportunity 'regardless of resources currently controlled'. Jonathan adopted a high risk strategy in order to realise the opportunity of setting up a fresh soup manufacturing business. He pursued the opportunity regardless of resources currently controlled, although he also put in place a plan to expand the company's resource base through the mechanism of a joint venture thus capitalising on the resources of others and thereby reducing the degree of personal risk. However, it took 11 months to set up the joint venture and in that time they almost went out of business.

It could also be said of Michael that he pursued opportunities relentlessly regardless of resources currently controlled. However, his view was that he had little to lose in those early years. He had invested his only capital which as NZ\$10,000 and a lot of time and energy. But he did not attempt to set up a business beyond his means of capability, for example, a franchised operation. He developed a business idea which kept him within his means and through his own efforts, doing the baking, the distributing etc. he was able to found a successful business.

3. Evidence of Sustained Entrepreneurial Performance

All five businesses had been on a positive growth trajectory since their inception. It was found that Michael, Jonathan and Richard were developing the existing business and had or were founding other businesses (not necessarily related ones). Beyond the acquisition/founding of the business the question is whether they continued to be (a) *alert to opportunities*, (b) continued to pursue opportunities relentlessly regardless of the inalienable resources currently controlled. Jonathan, Richard, Michael and Joe fitted this criterion. Russell initially appeared to react to opportunities instinctively whereas with experience he appeared to evaluate opportunities strategically. Overall, however, he operated cautiously and this probably minimised the likelihood of mis-judgements.

CONCLUSION

In this paper I have sought to define the nature of the entrepreneur and entrepreneurship *a priori*. It is possible from this analysis to draw two conclusions: Firstly, that an entrepreneur is able to identify and exploit opportunities with a view to increasing capital accumulation and the creation of wealth; secondly, that an entrepreneurial act comprises awareness and the relentless pursuit of opportunity without regard to inalienable resources currently controlled. This analysis rejects the idea that business founding is a necessary condition of entrepreneurship. Analytically, the process of business development which we have termed sustained entrepreneurial performance, may be examined in the individual case and comparatively in relation to the salient features of the context, the judgement and decision process, the strategy adopted and subsequent outcome(s). This opens up an avenue for further research on a systematic basis which will have both theoretical and practical import. Furthermore, we have shown that ownership of the means of production is not a necessary condition of entrepreneurship provided that an individual has the scope to relentlessly pursue opportunity (cf. The case of Jonathan).

Finally the fieldwork enabled a further test of the Chell Entrepreneurial Personality Profile. Both a quantitative and qualitative analyses were carried out. This showed the importance of the detailed qualitative work for revealing subtle behavioural differences between owner-managers. It supports the contention of the heterogeneity of owner-managers and yields context rich data to enable an understanding of behaviour and its consequences. This paper has illustrated the method for growth businesses only. However, it is clear that much can be learnt from examining behaviour in the no-growth or failing business context (Chell *et al.*, 1991: 71-3).

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THE INFLUENCE OF MANAGERIAL DISAGREEMENT ON INDUSTRY CHARACTERISTICS AND STRATEGY ON SMALL FIRM PERFORMANCE

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ABSTRACT

Because of the potential importance of matching the firm's strategy with the industry competitive environment, the performance of small firms, noted for the lack of formal information gathering and lack of formal planning, may suffer if there are serious differences in perceptions between presidents and sales managers. The impact of these differences may be more pronounced in volatile industries and more pronounced as the small firm grows. This study sought to empirically examine the impact on performance from differences between small firm presidents and sales managers in perceptions of the competitive environment and strategy emphasis under conditions of high and low industry volatility. The impact of these differences were also examined for firms of differing sales levels. The average level of absolute difference between presidents and sales managers in environmental perceptions has a significant negative influence on firm profitability. Industry variability and firm size does not appear to moderate this influence. The level of absolute difference between presidents and sales managers as to emphasis on growth/differentiation strategy or low cost strategy has a significant negative impact on new product success, customer retention, and relative product quality. This difference seems to be especially pronounced in situations of high variation in capital spending variability, where emphasis on growth/differentiation strategy is a significant influence on performance.

UNDERSTANDING WHY SMALL FIRMS CHOOSE THEIR ADVERTISING AND PROMOTIONAL STRATEGIES: AN EMPIRICAL INVESTIGATION

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ABSTRACT

This study identifies considerations which underlie advertising and promotion choices in small retail firms. Major considerations include whether the strategy enhances the firm's image; past experience with the strategy; whether the strategy is affordable, and the ability to target specific types of consumers.

INTRODUCTION

Advertising and promotion are considered extremely important to the success of small firms, yet few studies have addressed beliefs held by small business decision makers which relate to promotional choices. This study identifies and assesses beliefs which influence promotional choices in small firms, using responses from a national sample of small retail and consumer service firms. Published literature provides little empirical evidence concerning small firm promotional considerations, although there is substantial speculation. This study addresses the following issues: (1) Which sources of information are important to the assessment of promotional opportunities in small firms? (2) What value do small firms place on commonly available promotional opportunities? (3) Which considerations are most important relative to promotional budgeting, creative strategy and media selection choices, respectively? (4) Do decision criteria vary significantly among types of small firms facing promotional issues? This study provides valuable information to those who wish to provide consulting and/or educational assistance to small business executives and to those who wish to develop theories and models specifically relevant to small firms.

LITERATURE ON PROMOTIONAL DECISION MAKING IN SMALL FIRMS

Early studies concerning small business promotional decisions were primarily descriptive, indicating promotional practices by small retailers and identifying advertising trends (Jackson, Hawes and Hertel 1979; Patti and Walker 1980). Recently, there has been interest in understanding promotional decision making in small firms. Davis (1993) suggests that there is a normative decision making process demonstrated by small business executives confronted with promotional issues. Promotional tactics chosen are anticipated to produce satisfactory results, and the outcomes are evaluated formally or informally by the firm. Several studies have indicated that small businesses utilize numerous sources of information in making promotional decisions (Franklin and Goodwin 1983; Peterson 1984; Specht 1987; Welsch and Young 1982), but the few available studies have produced conflicting results.

Inadequate funds have been found to constrain promotional choices in small firms. Weinrauch et al. (1991) found that small business decision makers believe buying advertising time/space is the primary marketing problem attributed to limited financial resources. Other studies indicated that promotional strategy and budget decisions in small firms are influenced not only by financial limitations, but also by past experience, economic cycles, nature of the target audience and goals of the firm (Nowak, Cameron and Krugman 1993; Vaccaro and Kassaye 1989; Varadarajan 1985). Otnes and Faber's (1989) study of small firms showed that media choice varied with business type and budget size, suggesting different promotional concerns among various types of firms, and showing that financial limitations inhibited the selection of the more expensive electronic media.

Nowak, Cameron, and Krugman (1993) provided the most comprehensive study of factors influencing small advertiser media selection. Their study of 190 Georgia firms found the main criteria for selecting an advertising medium were (1) its targeting capability (27%); (2) ability to reach a large or broad audience (19%); (3) perceived effectiveness (12%); (4) cost/cost effectiveness (12%) and (5) creative capabilities (9%). Perceived ineffectiveness of the medium and increasing media costs were the main reasons given for eliminating an advertising medium. Contrary to popular belief, they found that cost was not the major consideration in the media selection decision.

SAMPLING AND METHODOLOGY

The sampling frame consisted of locally-owned, non-franchised, consumer-oriented retail and service firms employing 100 people or less in the United States randomly selected from Dun and Bradstreet's national database, using the following Standard Industry Classification (SIC) Codes: 53 (General Merchandise Stores); 56 (Apparel Stores); 57 (Home/Furniture Stores); 59 (Miscellaneous Retail) and 72 (Personal Services). Dun and Bradstreet provided the names and addresses of the firms and the

names of the owner/managers of the firms on pressure-sensitive mailing labels.

Data were collected via a mail survey sent to 1500 small firms nationwide, directed to the person responsible for making the firm's promotional decisions. A prenotification letter was mailed to the prospective respondents, followed by a cover letter and questionnaire one week later. The initial and cover letters requested the respondents participation and guaranteed the anonymity of the respondent and the firm. Survey items were developed based on information derived from academic and trade literature and from scripted, in-depth personal interviews by the researcher with several owners of local small retail and consumer service firms. This effort resulted in a seven page, 23-question, multiple-item survey. The survey was pretested on two occasions for content, wording and length using two different groups of local business owners via a university-based small business management seminar; appropriate revisions were made. All survey questions which related to influences on promotional decisions were constructed using multiple items, measured on Likert-type scales.

FINDINGS

A total of 187 usable responses was returned by the sample, representing a response rate of 12.5%, which is within the normal range of response rates to mail surveys typically experienced by researchers of small firms (Forsgren, 1989). There was at least one response from 41 of the 50 United States. Of the firms responding, 7% were general merchandise stores, 7% were apparel stores, 12.3% were home/furniture stores, 21.9% were personal service providers and 38% were miscellaneous retail stores such as sporting good shops, gift, hobby and camera shops, drugstores, florists and jewelers. More than 85% of the firms were at least 10 years old and 75% employed between 11 and 50 people. In terms of annual revenues, 22.4% earned more than \$5 million; 50.2% earned between \$1 million and \$5 million; and 23.5% earned less than \$1 million. Nearly 85% of the firms had incorporated, and 88.2% were located in commercially zoned areas, primarily in cities or suburbs.

Of the firms' owner/managers: 76.5% were male and 22.5% were female; 92% were Caucasian. Their ages were as follows: 18-24 (.5%), 25-34 (10.8%), 35-49 (40.6%), 50-65 (42.2%) and over 65 (5.3%). They also reported fairly high levels of education with 17.1% having completed high school; 10.2% having completed a 2-year college; 46% having completed a 4-year college degree and 21.9% having completed graduate or professional school. Decision responsibility for advertising and promotion rested with the owner/manager of the business in 75.4% of the firms; business partners and employees made advertising decisions in 7.0% and 5.3% of the firms, respectively. Only 3.7% of the firms used an outside agency or consultant for advertising decisions. About 77% of the firms engaged in advertising activity on a regular (i.e. daily, weekly, or monthly) basis and 66% spent more than \$10,000 per year on advertising.

Influence of Various Information Sources

Responses to a survey item asking respondents to indicate the relative importance of 22 different sources of information to promotional decisions, using a 7-point scale (where 1 = "not at all important" and 7 = "very important"), indicated that interpersonal sources tended to be regarded as most important, compared with most published sources and various institutional small business assistance agencies. Key information sources were customers, employees, media sales reps, competitors, trade publications, newspapers, and business associations.

Perceived Value of Common Promotional Opportunities

Respondents were asked to indicate the relative value of 24 different promotional opportunities to their firm, using a 7-point scale (where 1 = "not at all valuable" and 7 = "very valuable"). The sample identified referrals, personal selling, store displays and signage, yellow pages advertising, direct mail, radio and brochures as the most valuable promotional options, based on their current marketing situation. However, eleven statistically significant ($p \leq .10$) differences were observed between types of firms with respect to the perceived value of the 24 promotional opportunities identified, a finding which is consistent with the Otnes and Faber (1989) study.

Influences on Budgeting, Creative and Media Strategies

Other survey items examined the perceived importance of selected variables on budgeting, copy/creative strategy and media selection decisions, respectively; these results are reported in Table 1. Interestingly, the concern that the promotional strategy project a positive image of the firm was the most important factor influencing budgeting and creative/copy decisions. This image concern was a close second in influencing the media selection decision, following "past experience" with the medium. Consistent with the findings reported by Nowak, Cameron and Krugman (1993), this study also indicated that cost considerations, while important, were not the overriding factor influencing promotional choices.

Another important finding, consistent with the results reported by Nowak, Cameron and Krugman (1993) and Van Auken, Doran and Rittenburg (1992), is the high degree of importance associated with past experience in choosing advertising media. Respondents indicated that experience with past media choices affected their subsequent media mix choices. Message strategy decisions were also heavily influenced by past experience with the copy appeal. One interesting finding was that the respondents tended to slightly favor concerns related to targeting potential customers over concerns related to targeting current customers when making promotional choices. This observation suggests an emphasis on attracting new customers rather than maintaining or increasing business from existing customers.

Finally, a few significant differences on the basis of firm type emerged. General merchandise and apparel stores were much more likely to consider competitors' efforts in determining creative and media strategies. General merchandise stores were also more likely to be influenced by competitors' perceived spending on promotions. As expected, co-operative advertising opportunities were slightly more important to apparel, home/furniture and miscellaneous retail firms, but played nearly no role in service firm advertising decisions; this finding is consistent with the fact that most co-operative advertising opportunities are associated with product manufacturers rather than service providers (Young and Greyser, 1984). Seasonality also played a lesser role in advertising decisions in service firms compared with retail establishments.

DISCUSSION

This study makes several contributions to the literature. First, the results have broader applicability than previously reported studies of small firm promotional issues in terms of the *national* scope of the responses. Second, this study provides new insight into the influences underlying promotional choices in small firms, rather than simply measuring promotional practices. Third, this research confirms several results reported in previous exploratory studies, thereby substantiating those findings.

Results to this study also present the opportunity for future research. Rather troublesome is the low response rate which limits the ability to generalize the findings. Alternative methods should be considered as a way to increase the amount of data collected on small business decision-making. Future research should derive larger samples from a greater diversity of small firms, in terms of age, size and patterns of growth, in order to validate findings and extend knowledge in this area. Another interesting study would be to use a longitudinal approach to look at how firms make promotional decisions over time - and to indicate variables associated with firms which thrive, remain stable, or struggle in the long run. This area of study is ripe for theory development which is particularly relevant to small business issues.

TABLE 1
**RELATIVE IMPORTANCE OF SELECTED FACTORS ON ADVERTISING/PROMOTION DECISION-
MAKING IN SMALL FIRMS BY FIRM TYPE**

Decision-making factor	Grand Mean	Gen Mer Stores	Appl Stores	Home Stores	Misc. Retail	Personal Services	F	p<
<u>Influences on Budgeting decisions:</u>								
Strategy projects positive image of firm	6.25	6.66	6.07	6.34	6.20	6.27	.5	.75
Whether strategy is affordable	5.86	6.00	5.91	6.13	5.68	5.92	.4	.86
Seasonal/Holiday sales periods	5.81	6.62	6.38	6.27	5.94	4.72	5.5	.00
Characteristics of potential customers	5.52	6.00	5.38	5.36	5.41	5.52	.5	.79
Characteristics of current customers	5.17	5.41	5.33	5.31	5.00	5.02	.4	.82
Co-op advertising opportunities	4.63	4.46	5.23	6.04	5.15	2.82	9.5	.00
Competitors' spending on promotions	3.53	4.58	3.66	3.69	3.76	2.94	1.9	.09
<u>Influences on Creative/Copy strategy:</u>								
Message projects positive image of firm	6.45	6.33	6.62	6.43	6.35	6.61	1.1	.37
Success of the message in the past	6.02	6.08	5.76	5.86	6.07	6.22	.7	.60
Characteristics of potential customers	5.83	6.25	5.69	5.81	5.74	5.82	.3	.19
Characteristics of current customers	5.77	5.75	5.62	5.86	5.75	5.82	.1	.99
Size of the promotion budget	5.73	5.58	5.69	5.78	5.73	5.72	.1	.99
Seasonal/Holiday sales periods	5.61	6.33	6.46	5.95	5.72	4.53	5.5	.00
Competitors' promotional messages	3.79	4.91	4.50	3.50	3.77	3.87	2.0	.09
<u>Influences on Media Selection:</u>								
Past experience with the medium	6.19	6.31	6.46	6.39	6.24	5.95	.8	.53
Medium projects positive image of firm	6.12	6.39	6.08	6.13	6.16	6.00	.2	.96
Whether medium is affordable	6.03	6.00	6.23	6.00	6.13	5.66	.6	.67
Size of the promotion budget	5.94	5.92	5.62	6.09	6.01	5.87	.3	.94
Ability to reach potential customers	5.78	6.23	5.69	5.73	5.71	5.95	.6	.73
Ability to reach current customers	5.60	6.15	5.41	5.73	5.61	5.47	.5	.78
Competitors' promotional media	3.88	5.07	4.62	3.86	3.99	3.34	2.6	.03

*Based on a 7-point scale where: 1= Not at all important; 2= Unimportant; 3= Somewhat unimportant; 4= Not sure; 5= Somewhat important; 6= Important; 7= Very important.

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EMERGENCE OF A VIRTUAL ENTERPRISE: AN INTEGRATED THEORETICAL FRAMEWORK

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ABSTRACT

This paper presents a theoretical framework to explain the emergence and functioning of a virtual enterprise. We extend the literature on dynamics of dyadic relationships to a network context, and illustrate how performance and commitment are achieved in a virtual enterprise.

INTRODUCTION

The emergence of new forms of interorganizational relationships for enhancing competitiveness in many industries has generated interest among academicians in recent years. These arrangements differ from traditional hierarchical structures and discrete market transactions, and are based on principles of cooperation and networking (Powell, 1990). Such interorganizational arrangements include trade associations, joint ventures, industry consortiums, networks, and strategic alliances. Researchers have employed various theoretical perspectives to understand the formation, governance, and structural characteristics of these new forms of interfirm relationships. Possibly the most recognized perspective transaction cost analysis (Williamson, 1991), argues that interfirm relations are hybrid structures that combine the aspects of market transactions and structural characteristics of hierarchies, and fall between these two alternative forms on a continuum. Recurring transactions that involve uncertain outcomes and require transaction-specific investments are most likely to take place within hierarchies; and transactions that require no transaction-specific investments will take place across a market. This cost based view has been challenged by many researchers.

Powell (1990) argued that the continuum view of interorganizational relationships is quiescent and mechanical, and does not explain the rich array of alternative forms. Alternatively, it has been argued that the new forms of interfirm relationships are distinct network arrangements based on reciprocity, collaboration, interdependence, personal relationships, and trust (Miles and Snow, 1992). Similarly, organizational sociologists and social-psychologists suggest that relational exchanges are embedded in, and determined by, trust-centered, social and personal interactions (Granovetter, 1985). This paper builds a theoretical model of emergence of a virtual network enterprise. Specifically, we examine the model within the scope of one kind of interorganizational relationship, the virtual enterprise, and focus on outcome variables (i.e., effectiveness and commitment). Key interorganizational variables, such as resource commitments, coordination, and communication, are posited to mediate the effect of antecedents derived from past research.

Virtual Enterprise: An Introduction

A virtual enterprise is an interfirm network established with an objective of delivering the lowest-cost, highest-value product that the entire value chain can efficiently and quickly produce (Davidow and Malone, 1992). Partners in a virtual enterprise do not focus solely on minimizing costs and maximizing efficiency of their individual firm operations. Instead, partners rely on each others' expertise and resources, and through cooperative effort manage the aggregate value chain. The special feature of a virtual enterprise is that the partners are loosely coupled, but virtually integrated through reciprocal exchanges, information and expertise sharing, and collaborative management. This sort of symbiotic arrangement permits individual firms to focus on strategic value-adding processes and what they do best, instead of controlling as much of the value-chain as possible. In other words, a virtual network enterprise is a substitute for vertical integration where ownership of all internal processes is common.

THEORY and HYPOTHESES

Powell's (1990) network perspective as applied to dyads is employed to postulate relationships between antecedents, mediational processes, and network outcomes. This perspective differs from traditional analysis of interfirm dyadic relations. In traditional interorganizational analysis, the relationship between dyadic partners is presumed to be independent of other dyads (Williamson, 1991). The contingencies, processes, and outcomes of a dyadic relationship would be solely based on that dyad. But, from a network perspective, the dyads are embedded in a larger set of economic social and exchanges that shape the characteristics of not only dyads, but also the entire network. The success of any one network member is tied to the nature of its dyadic relationships with every member in the network.

From an analytical and empirical point of view, the aggregate statistics of dyads in a network not only reflect the characteristics of an average dyad, but also the characteristics of the overall network. We expect that the structure and process of interfirm interaction, exchange, and coordination will explain the dynamics of network emergence and consolidation of virtual enterprise. The constructs represent various structural and process characteristics of the dyadic relationships embedded in a virtual enterprise. This article proposes that successful emergence of a network virtual enterprise is reflected in the aggregate 1) perceived effectiveness (performance) in the relationship and 2) extent of commitment to stay in the network further. Alter and Hage (1992) suggested that effectiveness in interorganizational systems is a perception among partners that their collective effort is achieving what it was intended to achieve. A firm judges a relationship as effective if it perceives that partners are committing resources, time, and energy to the relationship; and that the relationship is equitable, productive, and profitable (Van de Ven and Walker, 1984, p.604). However, this perception is shaped not only by the dyadic relationship, but also by the quality of interaction and exchange processes that are embedded in the overall network structure.

Antecedents of Network Relationship

Interfirm Resource Dependence. Firms are often interdependent for critical resources (Pfeffer and Salancik, 1978). It has been suggested that there are mutual gains for firms in pooling resources through network arrangements (Powell, 1990). Networking facilitates division of task between firms and allows the individual firms to specialize their competencies. However, establishing a cooperative relationship with other companies is not without problems. As Van de Ven and Walker (1984) pointed out, involvement in an interorganizational relationship implies that 1) an organization may lose its autonomy and freedom to act independently, and 2) it may have to invest in critical resources to maintain a relationship. Thus, organizations might be reluctant to join the network arrangement and commit their resources unless they are strongly dependent on others' resources. From the reciprocal exchange perspective, however, it is argued that resource dependence may induce cooperation, rather than competition (Alter and Hage, 1992). Often the benefits of cooperation outweigh the disadvantages, particularly the loss of autonomy and costs of managing the relationship (Contractor and Lorange, 1988). Interfirm resource dependence and the resultant sharing of critical resources necessitate the need for frequent and intensive communication between partners in a network. Intuitively, firms that exhibit greater resource dependence will exert greater efforts to initiate interfirm communications. Moreover, many intangible resources such as knowledge and technological exercise can be shared only through continuous communication between employees at various levels of partnering firms. Essentially, interfirm resource dependence will be characterized by high level of communication between firms in a network.

Proposition 1: Interfirm resource dependence enhances the level of reciprocal commitments, interfirm communications between partners in a network.

Interorganizational Trust. Resources are most often exchanged using relational contracts (Macneil, 1980) or social exchange relationships (Larson, 1991) that are based on patterns of social expectations and norms. Trust is the core social component of such exchange relationship. Trust has been described as an expression of confidence in certain social order and provides the foundation for cooperation. Cooperation requires trust especially when parties in a relationship place their fate partly in each others' hands (Deutsch, 1962). In other words, trusting is the belief that another party will perform an activity that is beneficial or at least not detrimental to oneself and the willingness to place one's fate partly in that party's hands. This rationale can be easily extended to the interorganizational domain. Organizational sociologists argue that all economic transactions and exchange relations are embedded in and determined by social and personal interactions that carry strong expectations of trust. While a wealth of social science literature has considered the role of trust in social situations, including cooperative ones (Deutsch, 1962), trust's role has often been ignored in interorganizational literature and is often assumed without in-depth investigation (Ring and Van de Ven, 1994).

Recently, however, a few studies have examined the significance of trust in interorganizational relationships. Dore (1987) observed that trust among buyer and supplier firms in the Japanese textile industry enhanced the security of the relationship and led to cooperation in investments, risk sharing, and knowledge exchange. Greater feelings of trust encourage firms to more willingly pledge resources vital for the relationship's survival. Trust also has been found to encourage continuous interfirm communication and allows the information to flow freely between organizations. Zaheer and Venkatraman (1995) incorporated trust as a sociological determinant along with economic factors to explain the structure and process of exchange relationships. They found that the presence of trust significantly enhanced the explanatory power of the relational governance or joint actions by partners. They further postulated that interfirm trust might result in greater investments toward the other party. These studies indicate the importance of trust in the formation of cooperative exchange relationships in the interorganizational domain. Trust may also encourage the partners to experiment with informal and personal coordination of interfirm exchanges and transactions. Lack of trust is the central notion of transaction cost logic that emphasizes the need for formalization of interfirm relationships through contracts, agreements, and protocols.

Proposition 2: Interorganizational trust enhances the resource commitments, interfirm communication, and promotes personal

coordination of relationships.

Domain Similarity. Firms need to select partners with whom they can work together effectively. While reciprocal exchange relationships are induced by interfirm resource dependency and encouraged by mutual trust, similarity between organizations provides a fertile ground for the discovery and development of common interests and goals, and thereby facilitates formation of interorganizational relationships (Marsden, 1988). Van de Ven and Walker (1984) argue that domain similarity - defined as the degree to which organizations have the same services, clients, and skills - increases the likelihood of relationship formation. When organizations are similar in their resources, skills, and technical assets, they are likely to have complementary resources, similar values and control systems, and tend to share similar ways of viewing the world. Established relationships might also benefit from the domain similarity of its members. Wilson (1995) notes that similarity in goals might be the glue that holds firms together in times of stress. Similarities in the operational domain of the partners increases interfirm communication between managers because of perceived likeness. Commonality facilitates interaction and provides a composition for friendship. For example, Hladik (1988) reported that when partners are comparable in size, technology, and sophistication, they had a greater likelihood of pursuing joint R&D activities. Alternatively, firms perceived to be different from each other appeared to find it more difficult to cooperate in relationships (Milne et al., 1997).

Proposition 3: Domain similarity between partners enhances the scope for interfirm resource commitments and increases the extent of interfirm communication.

Network Mechanisms

Researchers have recently emphasized studying the processes and patterns of interaction and exchange between partners (Ring and Van de Ven, 1994). These interaction and exchange processes are determined by the various interorganizational antecedents and in turn explain the rationale for the emergence and consolidation of network. The mediational processes that form the central rationale for the emergence of network include: reciprocal commitment, interfirm communication, and coordination methods.

Reciprocity. In interfirm relationships cooperation is not achieved prematurely (Van de Ven and Walker, 1984). Cooperation emerges as the result of a slow, incremental sharing and investment of resources by both parties. Typically, unless the exchange parties perceive indications of benefits, they will not further commit their resources to building a cooperative relationship. Successful partnership requires one party to initiate this iterative process and the norm of reciprocity is central to this initiation process.

The significance of reciprocity in resource commitment is better captured in a game theorist's idea of TIT-FOR-TAT which consists of starting with cooperation (Axelrod, 1984). A player's expectation of reciprocity casts a shadow of the future back upon the present, and affects current behavior. In other words, future interactions permit the players to reward and punish each other. If a player cooperated in the first round the other player rewards that move by cooperating in the next round. Buckley and Casson (1988) have shown how the recognition of long-term advantages and the awareness that partners are able to retaliate/reciprocate explain the development of stronger relations in collaborative ventures. Resources committed by one party also compensate for the other party's transaction-specific assets that are utilized in the relationship, and thereby invoke continuity and guarantee a stable relationship (Powell, 1990). Tangible actions that suggest reciprocity further reinforce the bond between partners and enhance cooperation in the relationship. Reciprocal commitment of resources will also enhance the feeling that the relationship is effective and worth the effort. The primary contribution of transactional cost analysis to developing and retaining relationships in normal channels is the use of specific investments to commit parties to the relationship (Williamson 1991). After all, committed resources imply a cost. The investments tie the firm to the relationship and should perpetuate commitment. Likewise, from the marketing relationship literature, Wilson (1995) reports that bonds of commitment develop over time as the level of investments grows until a point is reached when it may be difficult to terminate the relationship.

Proposition 4: Reciprocal resource commitment enhances perceived effectiveness and commitment to stay in the relationship.

Communication. Network arrangements additionally serve the purpose of exchanging valuable resources such as information, knowledge, and technological expertise. They provide strategic advantages from the exploitation of synergies, technologies, or other skills that are transferred (Harrigan, 1985). Contractor and Lorange (1988) suggested that networks are used to bring together complementary skills and talents which are part of specialized know-how needed in high technology industries. Such intangible resources can be exchanged only through effective communication between partners in the relationship. It is common to find that sophisticated on-line communications are effective in achieving frequent interaction for reciprocal knowledge sharing between partners (Dishman, 1995). This supports the argument that a multiple and enriched medium of communication will enhance the effectiveness of developing a relationship. Through intense interfirm communications, partners also become more

visible in the network (Contractor and Lorange, 1988). The highly visible firms receive more attention from other members in the network which leads to more exchanges and benefits. Thus it is likely that a high level of interfirm communication will lead to a high level of exchanges and partners are also likely to perceive that their participation in the network is very effective.

Proposition 5: A high level of interfirm communication enhances perceived effectiveness and commitment to stay in the relationship.

Personal vs. Impersonal Coordination. Administrative coordination of relationships is a critical dimension of interorganizational networks (Alter and Hage, 1992). Coordination is the process through which exchanges and interactions take place between organizations, so that the comprehensiveness, accessibility and compatibility among partners are maximized. A primary reason for failure of alliances is incompatible personal chemistry. According to Wilson (1995) all relationships do not need to be founded on close personal relationships, but the relationship needs to reach a business friendship level. A degree of personal coordination is a necessity for successful outcomes. From a transaction cost perspective, Williamson (1991) argued that, in hybrid organizations, exchanges are regulated through formal methods of coordination such as written contracts, agreements and formalization of policies. Dore (1987) has deliberated that social contracts are relatively more important than formal, written agreements in an economic exchange. Also exchange of knowledge and information, critical for the network's success, can be achieved only through complex personal and social interactions. As Powell (1990) pointed out, reliable and useful information cannot be transmitted through hierarchical and bureaucratic features and the formal chain of command. Personal and informal method of coordination serve as a social control mechanism for managing an interorganizational relationship. Personal relationships are prime considerations in interorganizational exchange (Weitz and Jap, 1995). We support the view that personal and informal methods of interorganizational coordination increase the relational bonding and better serve the purpose of network arrangements.

Proposition 6: Personal coordination enhances the commitment and perceived effectiveness between partners.

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THE IMPACT OF LEAN ENTERPRISE ON MARKETING MANAGEMENT

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ABSTRACT

It is argued in this paper that marketing theory and practice has reacted largely ineffectively to many of the fundamental challenges posed by developments in other disciplines, illustrated in recent years by Total Quality Management (TQM) and Business Process Re-engineering (BPR). The urgency of addressing the need for responsiveness to paradigm shifts in other disciplines is underlined by the newest cross-disciplinary challenge of this kind, which comes from the emergence of "lean thinking" and the conceptualisation of the "lean enterprise". The goal in this paper is to identify the ways in which lean thinking relates to the marketing process in terms of both conflicts and synergies, and to set an agenda for a productive and timely response from the marketing discipline to the advent of lean thinking.

While it remains contentious, there is a compelling case for claiming that marketing as a function and as a discipline has been slow, and relatively ineffective, in responding to some of the major cross-disciplinary challenges which have been faced in recent years. In particular, this case may be framed by considering how marketing scholars and practitioners have frequently failed to respond effectively to the widespread moves to corporate down-sizing and de-layering, to integrated logistics systems and new approaches to supply chain management, and perhaps most especially to the management movements associated with Total Quality Management (TQM) and Business Process Re-engineering (BPR) (Morgan and Piercy, 1996).

This ineffectiveness may be described in terms of a loss of intellectual leadership for marketing scholars vis-à-vis corporate practice, and a loss of influence for marketing executives in many major corporations as their role in managing marketplace contingencies has been displaced by other disciplines (Day, 1992; 1994). Perhaps most disturbing are suggestions that while marketing has remained quite effective at developing and implementing promotional tactics, and has some continuing impact on building customer focus in companies, it has failed to maintain a position as a strategic force in many companies (Webster, 1997).

While changing external market environments have been assessed in terms of implications for marketing organisation (e.g. Achrol, 1991), and the role of marketing within the corporation (e.g. Webster, 1992), a similar process does not appear to have been applied on behalf of the academic discipline or corporate practice of marketing relative to other disciplines and functions.

It is predicted that a major test of the robustness of the marketing discipline and its role in shaping corporate practices will be the response to one of the newest management phenomena - the emergence of "lean thinking" and the development of lean supply chains leading to the proposal of the blueprint for the "lean enterprise". Lean thinking has radical implications for corporate practice and for all business disciplines, but perhaps most particularly for marketing. There is an urgent need for marketing academics and executives to understand the lean thinking phenomenon, and to define proactively the ways in which lean thinking may enhance market performance, as well as to track its limitations.

To be effective, delineating the implications of lean thinking for marketing needs to be done both positively but also urgently. The alternative is to stand back and allow the intellectual leadership of the company to vest in the hands of production and operations specialists. This paper aims to do no more than to challenge marketing thinkers to start this debate, both in the context of marketing theory and that of marketing practice. Specific goals are to summarise a basic understanding of the elements of lean thinking, and to track some of the most obvious implications of each element for marketing. This provides a basis for identifying the underlying limitations of lean thinking from a marketing perspective, as well as the threats to marketing as a discipline and as a value-creating and value-delivering process in organisations (Piercy, 1997). The urgency of this question is underlined by firstly considering the current developments in grocery distribution: the efficient Consumer Response (ECR) programme.

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STRATEGIC GROUPS, MOBILITY BARRIERS AND TRAPPED BRANDS

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ABSTRACT

The value of strategic groups and mobility barriers is illustrated in the examination of competitive behaviour in industries subject to structural changes. Similarity in brand behaviour is observed across a number of product-markets within the convenience goods industry over time. The Trapped brand group is particularly vulnerable to changing structural forces.

INTRODUCTION

Consolidation of the retail trade and shifting balance of power have been well reported. Key indicators of this increased consolidation include the increase in retail concentration, manufacturer concentration and the growth in private label. These structural changes have a direct impact on both the strategies and performance of brands. This study employs the strategic group concept in an attempt to identify clusters within the convenience goods industry as structural forces change based on observed similarity in behaviour of brands. The nature of competition is dependent upon the membership, size and distribution of groups within an industry and the mapping of these groups is seen to provide a useful way of tracking industry dynamics as firms become more similar or different from each other (Cunningham and Culligan, 1988; Tang and Thomas, 1992). The related concept of mobility barriers suggests that brands are restricted from improving their relative strategic position by moving into a different strategic group.

STRATEGIC GROUPS AND BRAND COMPETITION

Whereas conceptually there has been much consensus concerning the definition of strategic groups, procedurally there has been little uniformity in the treatment or measurement of strategic groups in empirical research settings (Fiegenbaum and Thomas, 1993). This has led to confusion about the concept and its role in theory development in strategic management (McGee and Thomas, 1986; Barney and Hoskisson, 1990). This study attempts to build on strategic group theory by employing the brand as a unit of analysis to provide a theoretical explanation of strategic group formation and to examine the potential causes underlying strategic group shifts over time within the convenience goods industry.

The failure of many strategic management and strategic marketing models to reach the level of middle range theory is arguably due to the lack of clear distinction between the three levels of strategy; corporate, business or SBU and functional levels (Varadarajan, 1996). The focus of much strategic group research has been at corporate and business unit level of analysis rather than product or brand level. A bottom-up perspective which relies on marketing strategy variables in a product-market context is more likely to generate strategically relevant variables than a broader perspective which reflects a complex array of scope and resource deployment decisions in industries with uncertain boundaries. The emphasis on the brand level of analysis is also quite novel and represents an extension of the scope of the strategic group concept. Furthermore, inter-brand competition is the most direct form of competition and therefore potentially offers a richer arena for studying the dynamics of competition than more aggregated units of analysis employed by strategic management researchers. Finally, it allows comparison of structures both within and across product-markets and to examine whether strategic groups of brands change over time with changing industry structural forces.

The strategic group literature can yield the following propositions with regard to marketing strategy and competition at the brand level of analysis.

- Brands can be grouped within a market according to marketing **strategy** variables
- Strategic groups of brands are relatively consistent across different markets.
- Barriers exist which restrict movement between groups of brands.
- Barriers between strategic groups of brands are partially created by industry **structural** forces.
- **Performance** within groups of brands will be similar and will differ across strategic groups.

The issue in this study is not to define strategic groups per se but to illustrate how this concept may be usefully applied at the brand level within identifiable product-markets to obtain results which make sense to informed industry observers and participants. The emphasis, unlike much of the research in the strategic management field, is on marketing strategies: advertising expenditure, pricing strategy, new product development activity etc. with particular importance placed on the structural forces which influence the competitive environment of an industry.

METHODOLOGY

An initial exploratory stage involved examining structural changes within the convenience goods industry and choosing four markets to include in the analysis; tea, coffee, toothpaste and liquid detergent. The second stage involved identifying and accurately specifying the key strategy and performance variables (Table 1). Taylor Nelson/AGB Consumer Panel was the main source of annual data for the period of analysis for the four markets. Factor analysis was used first to improve the structure of the data and, where necessary, to reduce the number strategy variables. Correlation matrices, for the remaining strategy variables, were analysed as a second step in order to assess the underlying structure of the test variables.

The third stage in testing the descriptive model involved a cross-sectional cluster analysis year by year from 1982-1993 for all brands and all strategy variables, computed separately for each markets. This stage involved examining the patterns by which brands become attached to strategic groups, assigning appropriate descriptive labels based on their brand strategy profiles and comparing strategic group profiles across markets. A hierarchical cluster analysis with Ward's method, using SPSS was used to identify the clusters or groups of brands for each year and for each market. The Quick Cluster, a nonhierarchical procedure, was also employed; this acted as a check on the hierarchical procedure and also produced group centroids, ANOVA's and F-tests.

Finally, the data is divided into two time periods, 1982-1987 and 1988-1993 in order to examine how brand strategies and strategic groups change over time and to study the degree of mobility or mobility barriers between groups. This was achieved by combining all markets and cluster analysing five key strategy variables by expressing each variable relative to the top two brands in each market. This stage relied on nonhierarchical Quick Clustering procedures in order to examine F ratios, group centroids and changes in group membership across the two time periods and the five different strategic groups. The analysis concentrated on the strength of mobility barriers between two of the five strategic groups - Dominant and Trapped brands.

In order to ensure plurality in the techniques, to test the validity of the measurement instruments used, to establish the context of the group structure and to ensure the research reflects an 'intimate knowledge' of the industry the final stage in researching the descriptive model involved using a technique called visual card sorting. This method, based on recent developments in the cognitive psychology of the categorisation of concepts, attempts to map managers' mental models of competitive market structures (Daniels, Johnson and de Chernatony, 1995). The procedure was applied to marketing managers of Trapped brands, identified in each of the markets within the study.

The final stage of the study involved searching for a relationship between the key measure of performance in this industry, market share volume, and all the strategy variables and their interactions. Six different measures of brand performance were first factor analysed in order to identify the optimal measure of performance over time. The results indicated that absolute and relative market share where the most appropriate measures of brand and cluster performance.

RESULTS

The key structural changes which influence competitive behaviour and strategic choices in Ireland include retail concentration, manufacturer concentration and private label growth. As retailer concentration increases, brands which perform poorly through the large retail multiples will have a weaker market share position over time. This trend is compounded in markets where private label sales are increasing. This analysis then prompts the question; have particular strategic choices led to the instability of specific brands or is this instability driven by industry structural forces?

Following cluster analysis of key brand strategy variables within the convenience goods industry, five brand groups were identified; Dominant, Trapped, Retailer, Niche and Limited. Each group had a different strategic profile across the range of marketing strategies and this profile was consistent across markets. For example, Dominant brands tend to spend a higher proportion of sales than any other group on advertising, they tend to have a large number of brand variants, frequently introduce new products and their distribution profile is close to the national distribution profile in each market. Alternatively, Trapped brands have low and declining advertising expenditure levels. They tend to compete on price with Dominant brands although Trapped brand pricing is more erratic. Finally, the retail and spatial distribution of Trapped brands are inconsistent with the market configuration.

A key factor in the understanding the identified clusters is to examine mobility barriers; the strategic and structural factors which restrict movement between strategic groups of brands. Five strategy variables were found to be the main determinants of the strategic groups presented above; advertising expenditure, pricing, number of brand variants, depth and directness of distribution and spatial distribution strategy. These five variables were expressed relative to the average of the top two brands in each market for each year separately and then, in order to more closely examine strategic changes and the impact of such changes on movement

between brands, the data was divided into two time periods (Table 2 & 3).

First, group membership which resulted from combining all markets and using relative strategy variables was very similar to those of the individual four markets. The results of the visual card sorting suggest that the strategic variables chosen in this study are valid measurement instruments of strategic behaviour. To determine the strength and importance of the different brand strategies, F ratios were compared. These ratios suggest that, in the first period advertising expenditure and trade distribution strategy explained the greatest variation between clusters. In the second period, advertising expenditure, trade distribution strategy and number of brand variants were seen to be significant factors in explaining cluster variations while there was less significant difference apparent between clusters on pricing and spatial distribution strategy. Specifically, the most dramatic strategic differences or mobility barriers between Dominant and Trapped brands are apparent in three variables; advertising expenditure, trade distribution strategy and number of brand variants. For example, advertising expenditure of Dominant brands is remarkable consistent across all markets throughout the twelve year period, ranging from a maximum of 5.67% to a minimum of 3.4%. Simultaneously, the average expenditure of brands within the Trapped group have declined considerably over the period. In the toothpaste and washing-up liquid market many Trapped brands are no longer advertising (that is, little or no expenditure is reported in any statistical digests for these brands) while in the tea market the average expenditure has been less than 1% for the period 1990 to 1993.

It may be argued that the movement of brands within the Trapped group away from a reliance on traditional advertising methods is largely attributable to the growing strength and power of the retail trade - the increased expenditure on trade marketing in order to preserve shelf listings provides some evidence of this trend. Loss of a well balanced distribution profile as a consequence of relatively poor distribution through the large national multiple retailers can limit the strategic options which are open to firms. For example, a loss of share through key retailers will result in an imbalance in a brand's national distribution profile (as an increasing proportion of sales are redirected through independent retailers) such brands which are likely to spend an increasing proportion of their marketing budgets on trade promotional expenditure to secure distribution access. Alternatively, Dominant brands have improved their distribution profile through key retailers and simultaneously maintained and/or increased advertising expenditure levels.

To examine intra group variation in performance over the period of analysis the mean market share and standard deviation of mean within each strategic group was estimated (Table 4). The market shares of Dominant brands are higher and increasing at a greater rate than the shares of any other brand group. Whereas Trapped brand shares were relatively high in the early 1980's over the period 1982 to 1993, the market shares of brands within this strategic group declined faster than any other brand group. Many of these brands are unlikely to ever secure adequate shelf space in key retailers to afford them a wide range of strategic options to survive.

CONCLUSIONS

The above analysis suggests that there are certain well reported structural forces which occur within the convenience goods industry which are having a direct impact on brand strategies and performance. A unique way of examining competitive behaviour in markets subject to these structural change is through strategic group analysis at brand level. The results of this study strongly support the hypothesis that brands can be grouped according to marketing strategy variables, that strategic groups of brands are relatively consistent across product markets and that barriers exist which restrict movement between groups of brands.

A key feature of this study was the isolation of one group of brands, termed Trapped brands, which were deemed to be particularly vulnerable to changing structural forces and related mobility barriers. Advertising expenditure strategies and retail distribution access are the key mobility barriers which are distancing Trapped brands from their aspirational group, Dominant brands. The divergence in the strategic choices of these brands combined with the trends in retail and manufacturer concentration and the growth in private labels indicate that these mobility barriers will become increasingly apparent over time. Such growing divergence in both structural and strategic factors between these two groups have serious implications for the strategic options available to Trapped brands and to their long term viability.

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Table 1

STRATEGY VARIABLES

Elements of Strategy	Strategy Variable Measures	Variable Name	Source of Data
Pricing	RSP relative to average RSP of top two brands	RELPRI	Taylor Nelson Market Reports
Advertising	Brand advertising expenditure as % of brand sales	ADVSAL	Taylor Nelson RTE, ASI
Brand Variants	Number of variants of each brand - i.e. product line width and depth.	PRDWID	Taylor Nelson, Company Order Forms
Directness & Depth of distribution	% Brand Sales through two largest retailers	RETDISB	Taylor Nelson
	% Brand Sales through Symbols	RETDISC	
Brand Parentage	Local or Foreign Manufactured	LFM	Trade Directories
Brand History	Number of years since Brand Launch	BH	Company Reports, Industry Experts
Brand Status	Brand or Private Label	BRPL	Market Reports, Observation Studies
New Products	Number of new product lines launched within each brand	NP	Company Reports, Market Reports, Taylor Nelson
Sales Force	Numbers employed in sales force	SALESF	Trade Directories, Company Reports
Spatial Distribution	% Brand Sales in Dublin % Brand Sales in Munster % Brand Sales in Conn/Ulster % Brand Sales Rest of Leinster	DUBLIN MUNS CONULS RETLEIN	Taylor Nelson

Table 2

Final Cluster Centres
Relative Strategy Variables 1982- 1987

Strategic Group	RELPRI	RELADV	RELPRD	RELRETD	RELDUB
<i>1.Dominant</i>	101.7	92.1	93.1	98.4	102.8
<i>2.Trapped</i>	121.7	29.6	34.6	83.9	127.9
<i>3.Niche</i>	124.4	149.1	22.3	87.6	121.7
<i>4.Retailer</i>	68.0	.000	24.5	312.7	143.7
<i>5.Limited</i>	70.4	7.8	27.6	6.9	31.4

Table 3 **Final Cluster Centres**
Relative Strategy Variables: 1988 - 1993

Strategic Group	RELPRI	RELADV	RELPRD	RELRETD	RELDUB
<i>1.Dominant</i>	103.325	127.700	119.850	95.286	97.825
<i>2.Trapped</i>	111.700	22.271	40.943	76.771	112.800
<i>3.Niche</i>	115.400	122.400	31.486	98.700	112.457
<i>4.Retailer</i>	71.929	0.3786	26.3143	198.243	153.829
<i>5.Limited</i>	78.067	3.359	30.256	11.956	46.589

Table 4 **Intra Group Means and Standard Deviations**

Year	Dominant		Trapped		Niche		Retailer		Limited	
	Mean	S.D	Mean	S.D	Mean	S.D	Mean	S.D	Mean	S.D
1982	24.80	15.96	9.24	6.38	0.65	0.19	5.55	4.34	1	1.17
1983	26.85	15.45	8.12	5.75	0.9	0.34	4.93	4.73	0.92	1.06
1984	29.49	15.70	7.10	4.93	1.1	0.29	4.74	4.85	1.63	1.67
1985	29.62	15.79	6.96	4.84	0.95	0.46	4.88	6.33	1.73	1.64
1986	30.33	15.54	5.70	3.52	1.45	0.57	5.40	6.07	1.56	1.59
1987	30.97	13.39	4.61	2.95	1.55	0.31	6.13	6.64	1.68	1.42
1988	30.25	11.33	3.86	2.04	1.7	0.76	5.74	6.61	2.56	2.36
1989	31.36	12.18	3.66	2.14	2.05	0.48	6.55	7.16	2.18	2.37
1990	32.67	11.28	3.12	1.97	1.98	0.59	5.47	5.49	2.04	2.15
1991	33.45	10.49	2.26	1.51	1.98	0.41	4.93	4.88	2.34	2.74
1992	35.87	9.26	2.43	2.39	1.88	0.34	3.88	3.74	2.30	2.49
1993	37.28	9.72	2.30	2.21	1.92	0.49	3.89	3.30	1.76	2.34

AN EMPIRICAL INVESTIGATION OF THE INFLUENCE OF NON-PRICE VARIABLES ON QUALITY TIER COMPETITION

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ABSTRACT

There is a growing body of research investigating the competition between product quality tiers (e.g., national brands vs. store label brands). However, that research has primarily focused on price competition – i.e., how price changes affect brands in different quality tiers. This article tries to expand our understanding of quality tier competition by investigating the role of non-price variables. The differential impact of feature advertisements, in-store displays, and brand loyalty on different quality tiers are investigated by means of scanner panel data. The findings show that unlike the differential impact of price (which has been extensively shown to favor high quality brands over low quality brands), changes in non-price variables benefit low quality brands more than high quality brands. Managerial implications and future research directions are delineated.

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MANAGING TRANSACTION DEPENDENCE: AN EMPIRICAL EXAMINATION OF THE MODERATING ROLE OF RELATIONSHIP CLOSENESS ON THE USE OF VERTICAL CONTROL

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ABSTRACT

This study addresses a limitation of the Transaction Cost Analysis framework, namely its narrow focus on the dependence that arises from specific asset investments as a rationale for the installation of governance mechanisms in exchange relationships. We identify several additional components that contribute to the replaceability and rewards dimensions of dependence and consider how they arise from the underlying procurement need and decisions made by buyers and suppliers when arranging a new transaction. A conceptual model that proposes that the effect of these components of dependency on the use of vertical control is contingent on the nature of the pre-existing relationship between the buyer and supplier.

CONCEPTUAL BACKGROUND AND OVERVIEW OF MODEL

The notion that firms seek to exert control over their exchange partners has long fascinated researchers from a variety of disciplines, including marketing, organizational analysis, and institutional economics. Market-mediated exchanges are recognized to be heterogeneous phenomena, ranging from one-time (spot market) transactions to quasi-integration, or ongoing, relational exchanges (Heide 1994). Correspondingly, the means of governing these exchanges, i.e., exerting control to ensure partner performance, varies considerably (Heide and John 1992).

One governance mechanism that buyers may employ is to establish vertical control (Heide and John 1992), by which the seller cedes some of its decision autonomy to the buyer. However, the literature suggests that vertical control is not granted freely by suppliers; nor is it sought by buyers, per se, because of the costs associated with obtaining such control. Scholars have also noted that the use of this governance mechanism is subject to efficiency considerations, thus it may only be warranted under certain circumstances (Williamson 1985).

The transaction cost analysis (TCA) is one framework that elaborates on these circumstances and provides a general rationale for the use of particular governance mechanisms within exchange relationships. The predominant factor identified by this framework is the presence of transaction specific assets (i.e., investments that cannot be transferred for use with another exchange partner), which gives rise to a dependency situation (Williamson 1985) and the threat of opportunism by the exchange partner. While both parties may make these dedicated investments, the relative symmetry of specific asset investments is expected to be a key determinant of whether additional control mechanisms are crafted into the exchange relationship.

However, TCA fails to recognize is that dependency can also arise from other factors in the task environment, which may be unrelated to whether specific assets are present to support the particular transaction. Drawing on the industrial marketing, organization, and sociology literatures, we find that dependency (and its obverse, power) is also a function of whether a customized product is being procured, the number of alternatives available (size of the supplier set), the degree of purchasing and sales concentration, and the risk involved (in terms of dollar amount and/or importance of the resource towards fulfilling organizational goals) (Bunn 1993; Heide and John 1988; Pfeffer and Salancik 1978).

In this paper, we also take into consideration recent arguments that the relational context also plays a significant role in governance decisions (e.g., Granovetter 1985). We propose an extension to TCA theory by positing that the effects of transaction specific assets and other sources of dependency are contingent on the nature of the preexisting relationship between the buyer and supplier. (as depicted in the Figure).

The research setting chosen for this research is SIC major group 28, manufacturers of chemicals and allied products. A national mail survey was administered. Measurement validation followed the procedures recommended by Gerbing and Anderson (1988). Tests of our substantive hypotheses were performed using ordinary least squares (OLS) regression analysis.

Our results reveal that relationship closeness moderates the effect of two components of dependency related to replaceability, investment asymmetry and product customization, as well as the reward component of sales concentration. No moderating effect was found relative to the other rewards components of purchasing concentration, size of the supplier set, overall dollar amount, and item importance.

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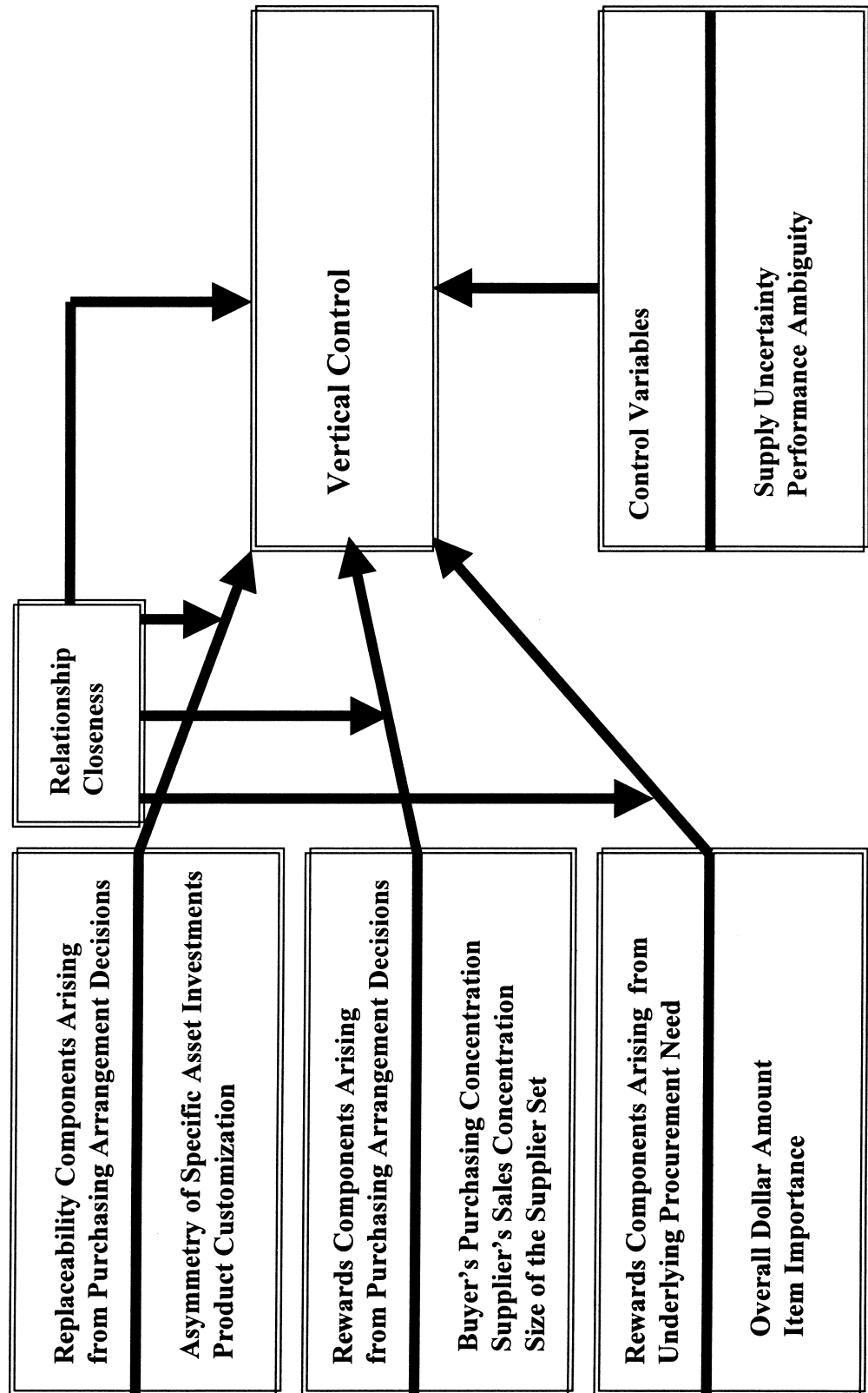
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Figure 1
Conceptual Model



PROMOTING INTERORGANIZATIONAL CONNECTIVITY IN THE ELECTRONICS INDUSTRY

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ABSTRACT

The paper examines business-to-business applications of the Internet, reviewing marketing problems in forming a collaborative industrial "virtual community." It discusses an Internet start-up venture in the electronics industry and qualitative research undertaken at the annual industry trade show. The problems developing a community of competing industrial firms are analyzed.

INTRODUCTION

The rapid development of Internet based-businesses is lending credence to Charles Handy's dictum that information technology is leaping, not creeping, into the future. With the explosive growth in the Internet, the transformation of mass society into tightly-knit communities by way of electronic communication has become an increasingly prevalent futurist claim. Yet few studies have focused upon the difficulties in developing and implementing the marketing programs and processes needed to create such electronic communities. The Internet may show great promise, but there are few systematic studies which have examined the role of the Internet in business channel relationships or supply chain management processes.

Being partly a case study and partly a focused discussion of relevant issues in the nascent academic literature on the changing reality of the Internet, this paper examines the marketing problems in forming a collaborative business-to-business "virtual community." Examining an Internet start-up venture within a well-defined industrial sector, namely the electronics distribution industry, the problems of developing and implementing a comprehensive and innovative business vision are explored. The goal is to develop a study that supplants speculation and opinion about the development of Internet applications with carefully collected qualitative data. The paper examines the planning of a site, its unfolding at the Electronic Distribution Show in Las Vegas, Nevada, May 13-17, 1997, and the reactions of industry participants. The purpose is to illustrate, analyze, and discuss the marketing opportunities of the Internet, paying special attention to organizational processes in the development of an Internet-based solution to managing the supply chain.

Possibilities and Scenarios for the Internet

Analyses of commercial possibilities for the Internet frequently have turned to case examples of electronic telecommunication systems to model its application and envision the future of the medium. Well-known cases include the SABRE airline reservation system, France's Telenet system, and the many private data networks including Electronic Data Interchange (EDI) systems connecting vendors and distributors. It is primarily these industrial case examples which have demonstrated that substantial quality and efficiency gains are possible in tele-connecting, enhancing such areas as order processing and inventory management. Secondary benefits also accrue from better information access, information organization and processing, and product tracking.

Such advantages in the organizational use of what are called "interorganizational information systems" (Choudry 1997) have been made manifest over the last thirty years. Consumer applications of electronic communication tools, on the other hand, are just emerging. Some distinct direct marketing successes such as Amazon.com and Virtual Vineyards are well-known, and new customer services and advertising media are appearing. The Internet has also become a distinct channel of distribution for consumers as software companies, electronic game developers, and information service providers are utilizing the medium to facilitate direct product transfers.

Cost and efficiency gains of the Internet certainly presages further substantial *industrial* opportunities for marketing products and services, particularly as international firms put the new technologies to use. Though many consumers across the world may not be able to afford the requisite computer, modem, and link to an Internet service provider, many international firms can immediately take advantage of the low cost public information infrastructure which the Internet provides. With significantly reduced communication, information, and transaction costs, fast-moving entrepreneurial ventures can better compete with significantly larger competitors across national boundaries. Immediate supply chain benefits for business-to-business firms are apparent.

This promises near-term shifts in channel relationships and competitive advantages to first-movers, but effects may not be readily apparent. Malone, Yates, and Benjamin (1987) and Steinfield, Kraut and Plummer (1995) have suggested that inter-organizational data networks can either foster electronic marketplaces, resulting in lower procurement

costs due to ease of information search for competitive offerings, or they can strengthen existing commercial relationships and lock in partners by increasing the costs of switching to new trading partners. As Sarkar, Butler, and Steinfield (1996) argue, however, it is also likely that the new information infrastructures can reinforce the position of traditional intermediaries as well as promote the growth of new types of intermediaries. It is increasingly clear that cybermediaries to serve the supply chain need to be formed, but which firms will originate these services is not clear. Will applications of the Internet necessarily be formed by industry insiders? Or will powerful outsiders such as Microsoft or IBM step in? Or can other large ancillary supply chain service providers such as UPS or Federal Express accomplish this mediating role?

Nouwens and Bouwman (1995) suggest yet another interesting alternative, that the Internet will create closed inter-organizational networks. Though the Internet has developed around open networks, it is not a requirement for industry websites to reach or promote to end-users. It is plausible that certain groups of partnering firms may form closed networks to pursue competitive advantages over other firms. As a consequence, the Internet may influence greater insularity in channel structure resulting in tightening of relationships for better differentiation of product offerings. From this perspective, the Internet's primarily advantage is its use as an industrial networking tool.

The Channel Dynamics of Building Communities

Though many firms have been swept into the fervor of developing a site on the web, the problem is that many or most of these sites garner little more than a fleeting visit. Even companies which have created popular sites have shifted their focus if sufficient revenues did not appear forthcoming. The attention of many web developers is now focused on using the Internet to form communities, rather than focusing upon limited profit motives to sell products or services. Marketers find themselves taking different roles and considering a much broader set of concerns and needs.

Armstrong and Hagel (1996, p. 134) argue that "The notion of community has been at the heart of the Internet since its inception." Citing successful case examples such as the Well, they propose that interactivity is the heart of the Internet, including its commercial applications. They argue that firms need to provide a forum for customers to interact with each other, and this will allow businesses to build new and deeper relationships with customers.

The concept of interactivity is certainly not new to marketing. Interactivity has already made significant inroads into marketing organizations over the last decade in the form of direct mail, telemarketing, loyalty programs, and infomercials which engender direct response calls. This degree of interactivity has been facilitated by technologically-driven vehicles such as 800 numbers and fax machines, but is also promoted in "relationship marketing" practices such as utilizing customer databases to continually make personalized customer service calls and renew customer contacts. The Internet promises a higher level of interactivity in that it allows customers to interact selectively and engage in subtle, substantial, and pertinent one-on-one dialogue or multiple-participant discussions. Consumers are now electronically exposed to new alternatives, potentially significantly enlarging their consideration sets (see Alba et al. 1997). Interactivity in a marketing organization provides an efficient channel to address an individual, to gather and retain the response of that individual, and to respond once again in a manner appropriate to their unique needs. In essence, interactivity is a tool that allows good marketing to become a "conversation" rather than a sales ploy—it puts a human face on marketplace activities between customers and vendors.

The interactively-enhanced marketing relationship should be an easier task to accomplish in business-to-business marketing organizations where the number of customers are fewer. Yet demands upon marketing managers in these contexts tend to be more complex, requiring greater socialization skills and more time to form and influence customer relationships. These skills are certainly necessary among sales representatives and account managers, but may also be required among many other employees of effective firms, such as quality assurance, order realization (order management cycle), technical support, or customer service managers.

While the Information Technology literature has examined means that firms use information for coordination and control, studies of the use of information to enhance marketing relationships are few. Forming electronically communicating industrial marketing networks, be they called "electronic," "virtual," or "cyber" communities, is clearly an important development affecting the entire supply chain in an industry. However, firms have many reasons to be apprehensive about participating in such sites. Firms often compete to capture and perform many value-creating activities within the supply chain. Wary of the possibility of losing advantages, firms may not necessarily have the reserves of trust needed to interact and to share information, even though it may be mutually beneficial. The intra-organizational problems of making electronic communities work, given competing functional roles, organizational cultures, and organizational politics, are also highly important considerations.

In short, the problems of fully exploiting the advantages of electronic commerce in an industrial, international context are considerable. Though commentators such as Spar and Bussgang (1996) conceive of the process as hinging upon rule-making activities to clarify and facilitate exchange processes, the issue is much more complex than accepting

common standards imposed by third parties. Particularly in industrial marketing settings, it is necessary to consider how business relationships hinge upon social as well as economic power relationships. The formation of a central electronic industry community must cope with the complex web of ties and relationships which are constantly evolving. Such things as tacit agreements or “cozy” business friendships commonly pervade every industry supply chain which may be tightly coupled or exclusive, lacking the openness that may be required to create communities.

The central issue is how industry community websites can facilitate economic and non-economic ties to affect such linkages and to enhance the value creation activities of firms. This connectivity requires more than postings, links or on-line chat rooms. Unlike consumer-oriented sites which seek to establish direct sales contacts, we propose that successful long-term industry sites must build upon and enhance existing marketing relationships. This requires substantial “buy-in” from participants, necessitating trust and cooperation. For an industry site to successfully grow and eventually dominate on-line communication in an industry, the exchange of information that is helpful, constructive, and social, must take precedent over processes that are competitive and therefore uncooperative and potentially disruptive. The research below explores these issues.

THE BIRTH OF iBATTERY.COM INC.

The iBattery site was envisioned as a comprehensive electronic website with community support services. Mark Schmit, CEO of Electronic Assemblies Corporation (EAC), a relatively small and entrepreneurial firm in the electronics industry, formed a team to explore the development of the site specifically for the battery sub-sector of the electronics industry. By late 1996, he became strategically aligned with a much larger firm in the electronic parts and distribution industry, Amp Corporation. Amp had developed its own AMPeMerce subsidiary through which it was able to substantially reduce certain of its catalogue costs by putting them on-line. Moreover, it provided innovative search capabilities for its products and was moving forward in other ways.

From the beginning it was decided that the iBattery site needed to gather support and promote the involvement of other industry participants. The iBattery site was conceived to have capabilities for three classes of participation: *merchants*, *tenants*, and *sponsors*. *Merchants* on the site would have an electronic “storefront” where visitors could search for products according to various search criteria and easily make electronic transactions. *Tenants* would only have the capability to display information about products, for example safety features or usage instructions. *Sponsors* would provide support for the community services which iBattery was planning to develop, including information on the recycling of batteries, training sites for selecting batteries, and other service features proposed for the community as it was envisioned to develop. The iBattery site concept was thus developed as a “mall,” constituting a collection of on-line “storefronts,” each of which may contain many different categories of goods. Examples of electronic malls include the Internet Mall, the Branch Mall, CyberMart, eMall, and Shopping 2000 (Hoffman, Novak, and Chatterjee, 1995). The provider charges rent in exchange for “virtual real-estate” and offers a variety of services to attract partners.

Schmit embraced the concept of an electronic community and recognized that the need to acquire industry support. The iBattery team developed innovative ideas for the creation and rollout of the site at the annual trade show. Among the concepts the iBattery team developed was a computer generated virtual reality “town,” hosted by an animated battery cartoon character guide named “IMO.” This branded character name originated as an acronym for “Interactive Market Organizer.” Innovative promotions were also created to attract partners at the show.

THE ELECTRONIC DISTRIBUTION SHOW 1997 (EDS ‘97)

Industry relationships are ritualistically reenacted at industry trade shows and professional organizations. The annual Electronic Distribution Show, the primary trade show of the industry, thus represented an ideal opportunity for our research team. The goal was to study prevailing industry ideas and trends, to “test the winds” as to industry attitudes and reactions to the Internet, and participant-observe in trade events, especially those dealing with Internet applications.

EDS is the not-for-profit vehicle through which three electronic industry trade associations create a meeting place for the industry. The Electronic Industries Association (EIA) /Components Group is an association that represents a broad spectrum of companies in electronic manufacturing but also provides a national forum in national and industry affairs. The second professional association, the Electronic Representatives Association (ERA) is the support system for manufacturers’ representatives. The third group, the National Electronic Distributors Association (NEDA) includes distributors of electronic components. Such associations provide industry leadership and affect industry structure in a number of ways, among them developing standards, compiling statistics, sponsoring training, and promoting membership activities. Participants at EDS ‘97 included a substantial number of foreign industry association members from international chapters.

Preparation for EDS ‘97 began by study of the industry to frame queries with the appropriate language. Short

intercept interviews of attendees and exhibitors were undertaken during the entire duration of the trade show by two researchers operating independently. More extensive interviews were carried out during luncheon meeting times with selected industry informants.

EDS '97 was, as trade show events usually are, bustling, crowded and highly animated central industry networking events. Activities available for analytic consideration easily would humble even the most tireless investigator. The goal was certainly not to objectively document every event—something of this kind was, in fact, accomplished by a newspaper that was distributed to participants daily. Printed material from the show, unobtrusive data collected from direct observation of displays on the trade pavilion, and observed reactions to questions from participants noted at seminars and workshops provided indicators of industry trends and dominant issues.

Attendees at the conference included approximately 6,000 participants, representing over 850 OEM suppliers/manufacturers, 775 manufacturer representatives, over 2000 wholesaler/distributors, and an unspecified number of vendors of ancillary services (Federal Express, Anderson consulting, etc.). There were 449 companies that had booths and exhibits at EDS '97. As a rough indicator of the Internet involvement of the industry, it was found that among the exhibitors, 45% listed homepages on the Internet in the Show directory.

Findings

Qualitative data collected from the trade show was collected within the time limitations of the show and compared among multiple sources. Primary findings are grouped thematically below.

A High Level of Interest in the Internet. The Internet was either the central topic or the dominant theme of many industry presentations at EDS '97 and occupied much time during the ensuing seminar discussions. With the high level of attendance in multiple sessions on the Internet, it appeared that the suppliers of information could not meet the demand. And if overheard talk is admissible as a type of evidence, the Internet had a considerable presence in many informal discussions, sometimes energizing bar-side conversations. Discussion frequently reinforced acceptance of the thesis that the Internet will "level the playing field" among industry participants.

Internet applications were touted as a means of reinforcing the survival of small and mid-sized manufacturers and distributors and assuring their continued viability and growth. At one seminar, Joel Gersky of Jaco Electronics presented the audience with startling numbers on current size and expected growth of contract manufacturers as well as distributors, noting that "there are some estimates that in 5 to 8 years more than 50% of all procurement will come through contract assembly to the ultimate consumer." In an era of cost cutting and down-sizing, manufacturers have found promotional and administrative expenses as a percentage of sales rising from 25 to 30%, resulting in many companies reducing the size of their direct sales forces and outsourcing the sales effort to reps and distributors. Those middlemen who electronically network themselves to customers are more capable of anticipating their needs and providing customized value-added services.

Organizational Issues in the Use of the Internet. One dominant, frequently observed theme was that attendees' concerns were more focused on the Internet's impact on job functions, management, and organizational issues than it was focused upon the use of the Internet in advertising, sales, and marketing programs. To paraphrase one VP of marketing of an OEM manufacturer, the Internet puts firms in "the horns of a dilemma" of needing to apply and leverage the new information technologies. The sentiment was that otherwise competitors may do it first, and in the process, close performance and opportunity gaps. If their firms were to apply the new information technology, these firms would, in turn, have to change the way in which they manage their organization and their people. In several instances, executives expressed the view that resistance to this was felt mostly from middle managers and supervisors who are disinclined to yield control to the people that they manage. Interviewed executives from large electronics distributors expanded on the effects of the Internet on organizations. While managers may pay lip service to empowering managers, inverting the organizational pyramid through training, trust, and access to relevant information, "too often we don't 'walk the talk' and this business initiative falls apart."

Another strategic imperative for assuring customer loyalty and retention discussed by these executives concerned itself with the sales, sales support, and order realization groups. The traditional tendency of sales persons to "overpromise and underdeliver" as a means of meeting sales volume quotas and quarterly profit targets often result in customer dissatisfaction. With the application of client-server platforms in the factory, warehouse, and order realization centers, this tendency is instantly picked up in real time, thus reducing these dysfunctional behaviors which are antithetical to long term profit maximization through customer loyalty and retention. As information is more democratically distributed, an egalitarian set of relationships ensues which has positive effects on employee motivation and customer satisfaction.

The Internet as Information Support System. Manufacturers reps, a major segment of attendees at EDS '97, were

concerned with the direction that Internet was taking. Several expressed the view that manufacturers were not keeping them informed with respect to new product developments nor the direction of progress in their firms. Several expressed the concern that they needed to be better informed to proficiently handle customers inquiries as well as provide account services. They speculated that the Internet could play a role in doing this, separate from the use of the Internet to directly relay information to customers.

Bargaining Power Shift. Researchers have suggested that with abundant on-line information, sellers will inevitably evolve towards commodity-based competition. Howard Poulsen of Farnell Electronics drove home the point that all supply chain members must be vigilant in guarding against this, suggesting that “this does not necessarily have to be a price-sensitive business –it should be, and is, a service-sensitive business.” He noted that the moment customers view product-service offerings as commodities, cutthroat pricing ensues with shrinking margins. Only by interacting with the customer can you continuously provide value-added services. “We have found in our company that when you can demonstrate improved efficiency through value-added services to the customer, thereby rendering them more competitive, they don’t balk at paying a premium.”

Individual Websites. Websites have been created by many firms to compliment sales calls or telephone/fax applications. One notable example, Dantona Industries, announced at the show that they have placed on the World Wide Web a fully automated and computerized cross-reference system, covering cordless phones, camcorders, laptops, electric razors, and computer batteries. This Internet site (<http://www.batterycrossref.com>) was promoted as having been developed with a well-established website developer, specializing in the consumer electronic industries.

While the iBattery concept was found to be a unique service to firms in the battery and related industries, there were exhibits at the show which were similar in approach and hence have the potential to compete for attention in this market. The two most similar were the ProcureNet and NetBuy.com. Both of these were offering Internet-based services to order and purchase goods, as well as sites for providing information to customers.

ProcureNet enables vendors to create electronic storefronts to maximize exposure of the companies' products and service and sell them over the Internet. It is not a typical bulletin board approach to company information and contacts. ProcureNet has supported transactions since its inception in August '96, and its system can interface directly with order entry, customer service, inventory fulfillment, and complete the purchasing process.

Net Buy Corporation executives addressed an overflow audience for its presentation on its newly created “Internet spot market procurement service.” The Net Buy service offers distributors a listing of inventories of standard electronic components from various manufacturers’ and distributors’ inventories for sale with 24-hour buying convenience. The site was promoted to have been developed with electronic distributor experts with purchasing and materials management backgrounds.

Positive Reception of the iBattery concept. The iBattery team reported significant success of the iBattery launch at EDS '97, which they considered an important step forward. EDS '97 resulted in 150 people visiting the site and an estimated 100 sales leads. Interest in the iBattery mall site was encouraging enough for the team to continue its rapid development and the move to quick implementation. As vision neared closer to reality, new issues in the construction, pricing, and the long term development of the site became more pressing for the iBattery team. Other competitive sites were obviously a concern, even though they were not as comprehensive in conception and scope to the iBattery mall concept.

Standards and Industry Relationships. Another issue at EDS '97, relevant to industry integration and alternative potentials for the Internet, concerned the development of standards. The NEDA conducted a major session on their newly established task force to develop more sophisticated and universal technical standards. The decision to develop these new guidelines grew out of a concern for the distributor /manufacturer relationship. Developing a common set of performance measures would benefit both parties and improve their relationship in that it would lessen confusion. With clearly determined measures, there would be less conflict over performance and instead an effort to improve relationships.

Discussion

Given the state of both the news media and the business attention directed to the Internet, it was not surprising that the Internet was a central topic at EDS '97. Assessing the acceptance of the Internet or the industry’s readiness to use this innovation as a means of conducting business is much more difficult to gauge. Cost barriers are clearly perceived as dropping and a sizable segment is interested in utilizing Internet-based technologies. While it is clear that none of the large industry players had yet effectively exploited the Internet, the steps which small firms were taking clearly generated a lot of attention.

Perceptions of the Internet as rapidly changing business practices certainly provoked anxieties. The implications of changing job functions was hotly debated by the many manufacturer's reps in attendance. Changing responsibilities and reporting systems raised a number of important concerns.

The existence of possible new entrants supports the arguments of Sarkar, Butler, and Steinfield (1996) that electronic intermediaries can take various forms. Moreover, there are certain noteworthy differences in the Internet applications which these developers were promoting. The industry orientation among these Internet services may yield a number of fundamentally different types of Internet applications and solutions. Outsiders may have a unique perspective on utilizing the Internet, originating in a significantly different type of organizational and industry culture. It remains to be seen if outsiders can gain an inside position.

Finally, the development of common standards by professional associations is one indicator of the competitive pressures driving steps to improve quality. Just as quality and satisfaction rankings of automobiles pushed that industry to improve, measure of quality in this industry may raise standards. Such steps to develop standards is contingent on the development of better measures which facilitates accurate and fair comparisons across firms. Better measures can enhance the quality of communication among firms and is a prerequisite to capturing and communicating data and improving information flow. This may have implications of firms utilizing the Internet to create on-line communities. Industry associations clearly have a role to play in facilitating cohesion up and down the supply chain.

Professional associations may be a means of overcoming or at least mediating the problem of tightly coupled or exclusive relationships, and developing the openness that may be required to create an electronic community. A central industry community website which is run or directed by a professional association with professional standards can facilitate linkages among its members. This may be the means to enhance present and future value creation activities.

SUMMARY AND CONCLUSIONS

The effects of the Internet on industry structure and competitiveness are thus far uncertain in the electronics distribution business. The many Internet applications emerging in the electronics industry illustrate that there are several potential paths of development. The Internet will eventually be extremely valuable for international marketing as these applications mature given that the Internet allows organizations of various sizes to connect and interact, bridging time differences and linking firms across geographic spaces. Predictions of the "demise of the middle man" are premature for cybermediaries who embrace information technology. Successful organizations in the supply chain are developing greater flexibility through the Internet. Communication tools need to be compatible with the culture and technological sophistication of customers.

As we enter the next century, "netware" which combines the utilization of both inter- and intra-net capabilities will be a primary instrumentality for any organization in cultivating and sustaining competitive advantage through the leveraging of people and information technology. Clearly, marketing's tool kit is experiencing unsettling amounts of change as the Internet accelerates diffusions of knowledge, connectivity, and interactivity in today's networked business environment. The boom in direct and data-based marketing, the dawning of electronic commerce, nuances in the automation of sales force management, and the dramatic burgeoning of the World Wide Web, all suggest that the industrial marketing in electronic distribution and in many other fields is under enormous pressure to reshape itself.

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MODELING CUSTOMER SATISFACTION IN BUSINESS MARKETS: SOME BASIC ISSUES REVISITED

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ABSTRACT

The purpose of this paper is to revisit some of the basic assumptions and issues which are currently accepted in marketing literature on customer satisfaction. The intention of doing this is to raise issues which may or may not have been considered in the early stages of the development of this paradigm. Further, not all paradigms or approaches to model customer satisfaction are being considered. The paradigm forming the basis of this discussion is Oliver's (1980) model and a related model of Cadotte et al. (1987). Other related constructs such as Source Loyalty (Wind 1970) and Customer Franchise (Parasuraman, Berry and Zeithaml 1991) are also considered.

The business marketing context is chosen for this discussion because of the differences in business buying decision-making (Gensch 1984) and the limited attention this context of marketing has received when it comes to modeling customer satisfaction.

A conceptual model of customer satisfaction is presented with the objective of parsimony and simplicity. Much of past research on customer satisfaction is reviewed and integrated in the mathematical treatment of the behavioral concepts. A separate section in the paper gives research issues as food-for-thought to researchers as well as suggested approaches to resolve them. A modified Multinomial Logit Model to model customer satisfaction, addressing some of the issues raised in this paper, is presented.

STRATEGY AND THE PERFORMANCE OF SMALL BUSINESS WEBSITES

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ABSTRACT

Despite the rapid success of the Web as a commercial medium, many organizations do not have an understanding of the strategic implications of electric commerce. A survey of 179 small businesses, utilizing the Web, indicated that the best performing sites had multiple objectives.

INTRODUCTION

The Internet is revolutionizing the way individuals and business organizations use information technologies to communicate, collect and disseminate information, and conduct transactions. While many companies have ventured into on-line marketing, many have characterized their efforts as “just playing or dabbling.” This apparent lack of a strategic focus could be costly for organizations and prevent the Web from reaching its potential as an electronic marketplace. The primary goal of this study was to investigate the relationships between business-level strategies, in this case the Web site objectives, and the performance of the Web sites. This proposed strategy-performance relationship is the backbone of strategy research (Lubatkin and Shrieves, 1986). The framework of the current study is presented in [Figure 1](#).

Why Small Businesses?

Small businesses were selected as the unit of analysis for the following reasons: 1) the Web allows small businesses the opportunity to compete with larger organizations on a more level playing field due to the relatively low cost of gaining access to the Web; 2) the Web gives them an immediate global presence; 3) small businesses are playing an increasingly important role in economic development; and 4) smaller businesses have certain characteristics such as greater flexibility (Crawford and Ibrahim 1985) and quickness in implementing decisions (Julian and LaFrance 1983) which make them well suited to succeed in a dynamic environment such as the Web. These reasons support the concept of the potential importance of the Web as a strategic tool for small businesses.

Operationalization of the Variables

The Web site objectives (strategic objectives) were based on the Quelch and Klein (1996) typology and grouped into four categories : 1) image/product information, 2) information collection/market research, 3) customer support/service and 4) transactions. Respondents were asked to allocate 100 points between the four Web site objectives.

Two groups of performance measures were used. First, respondents were asked to rate the overall performance of their Web site and the performance relative to their main competitors on a 1 to 7 scale (Jaworski and Kohli 1993). Second, Web performance was measured using a modified version of a multi-item scale developed by Gupta and Govindarajan (1984) which contained financial (sales, sales growth, profit and return on investment) measures and non-financial (market development, cost reduction, customer service enhancement and number of visitors to site) measures.

A set of moderating variables was also included in the study. These variables included product category, firm characteristics, and the external environment. The environment consisted of three components : market turbulence, competitive intensity and technological turbulence. These components were measured on a 7-point Likert scale using a modification of a multi-item scale developed by Jaworski and Kohli (1993).

METHODOLOGY

A sample of 1400 firms with less than 1,000 employees under the computer, telecommunications, electronics, and food industry classifications was drawn from the Yahoo on-line directory. A survey was e-mailed to either the Webmaster or the company address for requesting additional information. Responses were received from 179 marketing managers, presidents/owners or Web site managers, a response rate of 13%.

Before analyzing the objectives-performance relationship, the Web site objectives were cluster analyzed. A five-cluster solution was selected based on the criteria of Ketchen and Shook (1996). The clusters were obtained using the K-means analysis procedure in SPSS 7.0 and were labeled as : 1) transactions, 2) mix of image and transactions, 3) image, 4) mix of service and image, and 5) mix of market research and image. It is interesting to point out that the analysis did not produce clusters with market research or customer service as individual objectives, but included these

two objectives in multi-objective clusters. Dummy variables were then created for each cluster and were included in three separate regression models (OLS) with the three performance measures (overall, financial, and non-financial) as the dependent variables. The moderator variables were also included as independent variables in the model.

RESULTS

Table 1 presents the results of the respondents allocation of points across the initial four Web site objectives. On average, respondents allocated the most points (almost 55) to image/product information, which made it by far the highest rated objective. It appears that small businesses use the Web primarily for disseminating product information to customers and for enhancing company image. As such, the sites seem to be perceived by most as a new channel for advertising to and communicating with their customers. The results also imply that these organizations limited the scope of their Web site to its most basic form, since a greater emphasis on the other three objectives would have required a higher level of sophistication (e.g. order processing capabilities, searchable databases). In affect, this suggests that most respondents were taking their first steps into on-line marketing and that a basic site was the safest first step.

The regression results are presented in **Table 2**. The first column contains the names of the variables included in the model (rows 1-4 correspond to the Web site objectives) while the last three columns report the regression coefficients for each of the three performance measures with the standardized coefficients in parentheses. Company sites that incorporated a level of transactions as a Web site objective performed much better than anticipated, especially on the financial measures of performance. The results also imply that a multiple objective approach may have been the most successful one for this sample of small businesses. The mix of transactions and image had a relatively strong association with all three measures of performance. A mix of customer service and image also appeared well suited for firms that stressed non-financial measures of performance. Companies that used the flexibility of the Web and had multi-purpose sites may have obtained a greater number of benefits and hence performed at a higher level.

The high level of significance of the market turbulence variable implies that Web sites may be especially suited for environments characterized by higher levels of market turbulence. The flexibility of Web sites, especially the ease and speed of updating, may give companies the ability to perform better under dynamic conditions. While type, size and age of the organization had little relation to success, higher technology and non-information products seemed to perform slightly better than their counterparts on financial measures and retailers seemed to perform better on non-financial measures.

MANAGERIAL IMPLICATIONS

The results clearly indicated that the image/product information objective was by far the most common objective of this sample of small businesses. Managers should carefully consider their corporate Web site as a strategic tool that can fulfill a number of purposes. This broader use of the web is consistent with current literature on electronic commerce, which has centered on the flexibility and numerous benefits that the Web can offer businesses (Hoffman and Novak 1997; Kambil 1995). Those companies using multiple objectives appeared much more satisfied with the performance of their Web site. The results also imply that transaction as a Web site objective was a relatively successful strategy. Though there are still a lot of unresolved issues with respect to security and fraud, it nonetheless appears that conducting transactions can positively contribute to the success of sites, especially on financial measures.

Table 1 : Web Site Objectives

Web Site Objectives	Mean (%)	Minimum (%)	Maximum (%)
Image/Product Info	54.76	2.50	100.00
Info Collection/MR	10.49	0.00	65.00
Customer Service	17.75	0.00	70.00
Transactions	17.00	0.00	90.00

Table 2 : Regression Results for Clusters of Web Site Objectives and Performance

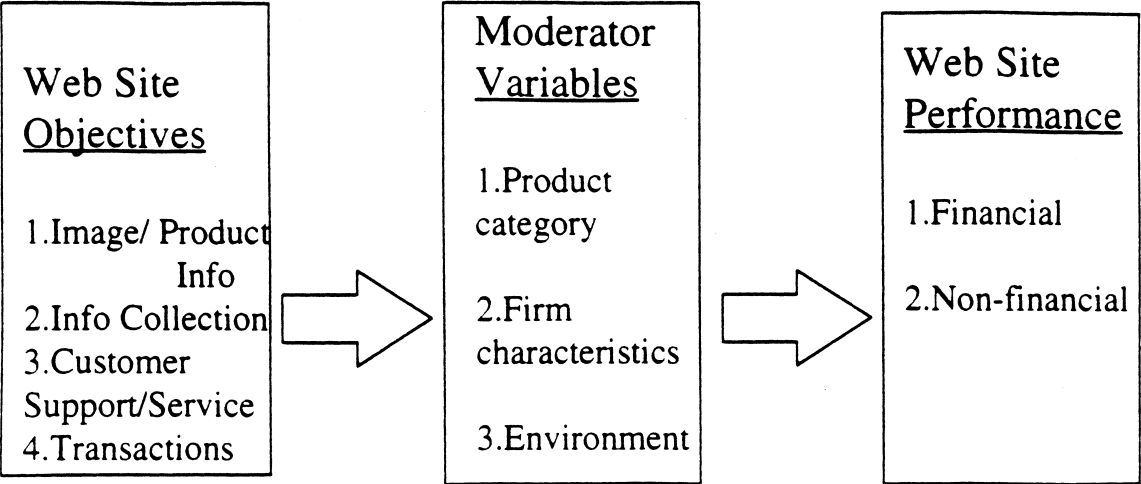
	Overall	Financial	Non-Financial
Transactions	.904* (1.776)	1.621*** (.257)	NS
Mix (image & transactions)	1.004*** (2.489)	1.297*** (.350)	.626** (.209)
Image	NS	.449* (.350)	NS
Mix (service & image)	NS	NS	.447* (.128)
Competitive intensity	NS	NS	NS
Market turbulence	.419*** (4.809)	.341*** (.259)	.449*** (.420)
Technological turbulence	-.189*** (-1.928)	NS	-.178** (-.199)
Number of employees	NS	NS	.00094* (.123)
Manufacturer	-.341* (-1.713)	NS	-.418** (-.151)
Web-only business	.604* (1.683)	.966** (.171)	NS
High Tech products	.144* (1.934)	.132** (.156)	NS
Industrial products	NS	NS	NS
Services	NS	NS	NS
Non-Info products	NS	.102** (.145)	NS
Company age	NS	NS	NS
Web site age	NS	NS	NS
Intercept	.881	-.678	1.503***
R - squared	.264	.283	.220
F - statistic	5.511	8.495	5.887

*p< 0.1; p<0.05; and ***p< 0.01

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Figure 1 : Framework for Strategy-Performance Relationships



COMPULSIVE BUYING BEHAVIOR: TERMINOLOGY AND AN APPLICATION TO NEW MEDIA SUCH AS THE INTERNET

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ABSTRACT

This paper examines the various terminology used to describe deviant consumer behavior and distinguishes compulsive buying from the other labels. Although most research on this behavior examines in-store purchasing, this paper recognizes the possible problem of compulsive buying behavior occurring through the use of various media, such as the Internet.

INTRODUCTION

This paper examines the various definitions and terms that have been used to describe compulsive buying behavior. Similarities and differences among terms are discussed. Definitions, characteristics, and forms of compulsive buying behavior are presented. Finally, various shopping venues, such as television home shopping networks and the Internet marketplaces, will be examined to consider how they might facilitate or inhibit compulsive buying behavior.

Terminology

In recent years, the area of abnormal or deviant consumer behavior has become an important area of study. Compulsive buying is one such aspect of consumer behavior on which researchers have begun to focus (e.g., d'Astous 1990; Hassay and Smith 1996; Faber 1992; O'Guinn and Faber 1989). The literature on this topic uses a multitude of labels used to describe compulsive buying behavior. In the current study, the term *compulsive buying* (Hassay and Smith 1996) is used; however, one should be aware that other labels, such as compulsive spending (Hanley and Wilhelm 1992), addictive buying (Scherhorn 1990), and impulse control disorder (Faber 1992) have all been used to describe this same behavior in the literature. Although these terms have been used interchangeably, it is important to recognize that distinctions exist.

For most individuals, purchasing is just a minor part of an everyday routine. However, for some people, buying can become an all-encompassing, central part of their life. For these individuals, the urge to shop is uncontrollable. This urge creates tension or anxiety that can only be alleviated through buying. Unfortunately, this relief is usually temporary, and over time, this buying behavior can lead to negative consequences such as emotional, financial and interpersonal problems (Faber 1992). While it is true that all forms of excessive behaviors have an aspect to them that is "normal," the compulsive behavior condition is considered different. They point out that these differences are not just a matter of degree in frequency of occurrence, but instead involve significant differences in the motivations for the action and in the consequences of the behavior. Hassay and Smith (1996) proposed that compulsive consumption behaviors are the manifestation of the consumptive impulse. Yet, compulsive buying is not the same as impulsive buying. Impulsive buyers are characterized as experiencing more of an acute loss of impulse control when shopping, whereas compulsive buyers suffer from chronic loss of impulse control that develops into a repetitive pattern distinguished by much more serious consequences (O'Guinn and Faber 1989). Impulse buying is also viewed as a desire for specific items, while compulsive buyers often lose interest in items after the purchase (O'Guinn and Faber 1989).

While compulsive buying has alternatively been labeled *addictive buying*, it is necessary to differentiate between a compulsion and an addiction. In psychological terms, compulsion means that one feels pressed to do and repeat something even against one's will, whereas addiction is conceptualized as being "driven by an irresistible urge which one experiences as one's own want or need" (Scherhorn 1990). There are also differences among the various consumption behaviors. Differences include whether or not the behavior causes physical harm, the degree of social disapproval of the behavior, and the treatment viewed necessary for the compulsion (O'Guinn and Faber 1989). Compulsive buying is viewed as a behavior that does not have direct physical consequences, results in moderate social disapproval, and is a compulsive behavior in which total abstinence is not a realistic treatment goal.

The terms *compulsive buying*, *compulsive spending*, and *compulsive shopping* have also been used interchangeably in the literature; yet, again, there are distinctions. Compulsive buying is motivated by an acquisition impulse, whereas compulsive spending is motivated by an impulse to dispossess (Hassay and Smith 1996). Compulsive shopping differs from compulsive buying in that it is potentiated by the process of shopping and not the acquisition or the accumulation of the item. Natarajan and Goff (1992) illustrate the many differences between the act of shopping and the act of buying. For example, one need not shop in order to buy, and one may buy without necessarily shopping.

Now that it is clear what compulsive buying is not, an attempt will be made to explain what the behavior is. D'Astous (1990) argued that all consumers can be fitted along an "urge to buy" continuum and that those in the upper

extreme of this continuum can be referred to as compulsive buyers. O'Guinn and Faber (1989) believe that any definition of compulsive buying must include two criteria: (1) The behavior must be repetitive, and (2) the behavior must be problematic for the individual. Using these two criteria, O'Guinn and Faber (1989) defined compulsive buying as "chronic, repetitive purchasing that becomes a primary response to negative events or feelings. The activity, while perhaps providing short-term rewards, becomes very difficult to stop and ultimately results in harmful consequences" (p. 155). The consequences of compulsive buying include financial debt, anxiety, frustration, a sense of a loss of control, interpersonal conflict, and lowered self-esteem; however, as O'Guinn and Faber (1989) point out, the consequences are not always extreme and may only become so in the later stages of the problem. Still, the problem is pervasive, for it is estimated that 10 percent of the American population can be classified as compulsive buyers (Hanley and Wilhelm 1992).

COMPULSIVE BUYING IN VARIOUS MEDIA

Most of the material up to this point refers to compulsive buying as it occurs in public shopping situations. However, due to recent advances in technology, and current social and economic trends, many individuals need not leave their homes in order to make purchases. Through the use of telephones, catalogs, cable television, and on-line computer services, consumers can purchase products from their home. Darian (1987) discusses how economic and social factors, such as the increase in the number of women in the work force and the growing use of credit cards, have contributed to the growth of in-home shopping. The author also explains how retailers and other businesses have encouraged the use of in-home shopping as a response to these trends. Department and specialty stores have increased catalog marketing, while cable companies and Internet servers have devised innovative promotional techniques (Darian 1987). Although consumers seem to perceive convenience as the biggest advantage of in-home shopping, Sharma, Bearden, and Teel (1983) examine various reasons why consumers may be wary of in-home shopping. They suggested that in-home shopping does not provide consumers the opportunity to compare products with respect to characteristics such as price, quality, service, and warranty. The authors also believe that consumers shopping from home miss out on the opportunity to talk with salespeople for additional help or information. Costs of store shopping include transportation, time and money, while benefits include social experiences outside the home and quality comparison of products. In-home shoppers have the benefit of convenience but cannot personally inspect items before purchase (Darian 1987).

In-home shopping, such as television shopping networks and computer Internet services, often requires on-the-spot decisions as to whether or not to purchase the items advertised. This requirement of immediate decision making impedes the collecting of further information from external sources, such as family, friends, and consumer reports (Sharma et al. 1983). This time pressure may cause some consumers to fear that they will be making impulse purchases. However, for the compulsive buyer, time pressure may not be seen as a cause for fear, and may instead, contribute to the compulsive behavior by removing the time barriers from shopping for purchases.

In a 1996 paper examining the topic of integrated marketing communications (IMC), Stephens et al. explain how interactive media, such as on-line computer services and television home shopping, provide an especially friendly setting for IMC, because consumer responses are immediate. They demonstrate how QVC, the leader in the 2.8 billion dollar television home shopping industry, uses a soft-sell approach and the fact that on-air sales staff are perceived as warm, friendly and spontaneous to downplay the fact that they are on the air to sell products and, instead, appear to have a personal interest in their audience. Stephens et al. (1996) illustrate the success of the QVC shopping program with some impressive statistics: In 1995 QVC had 50 million viewers across America and in 1993 were attracting 100,000 new viewers every month. They also suggest that six out of 10 QVC customers become repeat purchasers (Stephens et al. 1996). For most shoppers, QVC offers convenience, information, and companionship with no negative consequences. However, Stephens et al. (1996) believe that some may be paying too high a price, both financially and psychologically, for the continuance of a unilateral friendship. The authors examine whether or not QVC viewing promotes repeated impulse purchasing that, over time, develops into compulsive buying behavior in some individuals.

Stephens et al. (1996) believe that there are characteristics of the QVC programming that may contribute to the transformation of impulse purchasers into compulsive buyers, in cases where persons are predisposed to this type of behavior. These characteristics include QVC's continuous availability in the home, the friendly and pleasant salespeople, the possibility of gaining widespread recognition by conversing on the air with the host, and the fact that items sold through QVC include those especially appealing to compulsive buyers (e.g., clothes, jewelry, collectibles) (Stephens et al. 1996). It is still unclear whether or not compulsive buyers behave in the same way during in-home shopping experiences as during store shopping experiences. Darian (1987) found that the following groups were most likely to be in-home shoppers: full-time housewives, part-time female workers with preschool children, single males less than 40 years old, households where the female head is aged 40-49 years, and households in the middle income group. TV shopping audience demographics show that 75 percent of buyers are female. Females are reported to be more susceptible to a good sales pitch, and far more likely to buy via direct mail than are male consumers (Stephens et al. 1996). And although many cite convenience as the main reason why they prefer to buy from home rather than shopping at a store (Darian 1987), compulsive buyers are more likely to view shopping as fun (d'Astous, Maltais, and Roberge 1990) and may not feel as

though in-home shopping provides the pleasurable experience of providing stimulation and social contacts that they desire. However, as we have seen, QVC may be offering a form of socialization to consumers.

Compulsive Buying Behavior on the Internet

Stephens et al. (1996) suggest that the techniques used by the QVC network to form parasocial relationships with consumers in attempt to sell products, can prove useful in a variety of formats, including on-line computer services such as the Internet marketplace. Thus, the Internet becomes another potential trap for those with compulsive buying tendencies. A number of studies have shown that individuals can become 'addicted' to the Internet (e.g., Brenner 1997; Griffiths 1997). Unlike, the typical compulsive buyer, the stereotypical Internet addict is a teenage male (Griffiths 1997). However, as yet, compulsive buying behavior on the Internet has not been studied. Table 3 illustrates how various dimensions related to compulsive buying behavior compare across the different shopping venues. Compulsive buyers are mostly female when the shopping source is traditional store, catalog, or television home shopping, but it is still unknown as to the gender of those most likely to be compulsive buyers on the Internet. As Griffiths (1997) states, there are many different types of activities that take place on the Internet, and not all of these activities may be addictive. The activities cited as addictive appear to be the Internet Relay Chat (IRC) rooms and fantasy role-playing games. Although no research has been conducted which examines the occurrence of compulsive buying behavior on the Internet, some assertions can be made.

The chat rooms and fantasy games to which some individuals are said to be addicted are thought to be rewarding because they allow the individual to remain anonymous and take on other social identities, due to the fact that there is no face-to-face interaction (Griffiths 1997). Griffiths (1997) believes that the user can "raise his own self esteem and feel continually rewarded by users elsewhere on the system" (p. 81). From the research on compulsive buying behavior, we are aware that a major reason why these individuals buy is to enhance their level of self-esteem. If compulsive buyers utilize the Internet as another means to raise their feelings of self-worth, they may stumble upon the various marketplaces and discover yet another outlet for their compulsive behavior. However, compulsive buyers' need to enhance their self-esteem may serve as a reason why buying on the Internet might not seem attractive. As mentioned earlier, it is often the social interaction with sales personnel that provides the approval and attention compulsive buyers crave as a means of raising their level of self-esteem (O'Guinn and Faber 1989). Although sometimes viewed as interactive media, the Internet, at present, cannot provide the type of social exchange that takes place during store shopping. Table 1 compares, across shopping venues, the opportunity for social interaction. With respect to self-esteem, the opportunity for social interaction between the buyer and sales personnel is *medium to high* for store shopping, while it is *low* for Internet shopping.

Another possible 'drawback' of Internet shopping for compulsive buyers is the fact that they do not get immediate delivery of the product. At a traditional store, the individual receives the product at the time of purchase, but items bought on the Internet may take days, or even weeks, before they are in the buyers possession (see Table 1). It has been explained that there are genuine differences among *buying*, *shopping*, and *spending*. And, although compulsive buyers often lose interest in purchases soon after they bring the items home, possession of the product at time of purchase may still be important in satisfying their compulsion. It is unclear whether simply clicking on an icon will fulfill the compulsive buyers urge. However, Stephens et al. (1996) found that for some compulsive buyers, delayed delivery of the purchase was not an inhibitor. Delayed delivery may also serve to enhance self-esteem in some compulsive buyers by establishing a perceived relationship with the package delivery person (O'Guinn and Faber 1989).

The products most often purchased by compulsive buyers are clothes, makeup, jewelry, electronic equipment, and collectibles (Faber 1992). Table 1 illustrates that these items are easily purchased through any of the listed shopping sources, including the Internet marketplace. However, these are also the types of products that people like to see, touch, and possibly try on. Having a salesperson tell them that they have made a good selection, or that a product looks great on them, can be a big part of the compulsive buyer's attraction to purchasing. Yet, at the same time, if compulsive buyers are more prone to fantasy than typical consumers, as is reported by O'Guinn and Faber (1989), then they may be able to imagine the products in enough detail to compensate for the immediate absence of the product.

Irrational credit card usage is another correlate of compulsive buying behavior and the Internet marketplace may accommodate this problem behavior. As Table 1 shows, traditional stores accept many forms of payment for customer purchases, while an Internet purchase usually, if not always, requires the use of a credit card. When purchasing with a credit card, buyers need not worry about the immediate depletion of funds that would result from the use of cash, checks, or debit cards. However, this obviously can lead to serious financial consequences later in time. Another way in which the Internet marketplace may actually facilitate compulsive buying behavior is by the fact that it is available at all hours of the day and night, and every day of the week. Table 1 depicts how various shopping venues compare with respect to convenience. In-home shopping, such as the Internet, is more convenient than traditional store shopping due to the fact that individuals do not have to leave their homes in order to purchase products. Many individuals with compulsive buying tendencies may not develop into full-fledged compulsive buyers because they do not have the opportunity to do so. Stores may not keep compatible hours for some buyers and may be located quite a distance from some individuals' homes.

However, with a virtual shopping mall available in their homes through the use of the Internet, these tendencies may develop into a serious buying compulsion.

Alba et al. (1997) quote statistics showing that in 1996, Internet sales were approximately \$500 million, which is less than 1% of all non-store shopping. Combining the Internet with other types of home shopping, such as other on-line services, catalog shopping, and television home shopping, still only accounts for 5% to 10% of all retail sales (Alba et al. 1997). Still, the authors believe that interactive home shopping has the potential to change the fundamental manner in which people shop. As shopping patterns change, compulsive buyers may no longer feel safe in their own homes, which will become yet another place where they can act out their compulsive tendencies.

CONCLUSION

In an attempt to better understand how compulsive buying behavior relates to each of the shopping sources, some general comparisons were made (See Table 1). It seems that in-home shopping sources, such as catalogs, television shopping programs, and Internet marketplaces, have the potential to contribute to the compulsive buying tendencies of some individuals. It is hoped that this paper will encourage future research in compulsive buying behavior across the various new shopping media available.

Table 1: Comparisons Across Shopping Sources with Regard to Compulsive Buying Behavior

Dimension Related to Compulsive Buying Behavior	Shopping Source			
	Store Shopping	Catalog	Television	Internet
Gender	Mostly Female	Mostly Female	Mostly Female	Unknown
Method of Payment	Various	Various	Mostly Credit Card	Mostly Credit Card
Self Esteem - specific types of items purchased - social interaction	Available Medium to High	Available Low	Available Low to Medium	Available Low
Alternatives provided - number of categories - alternatives per category	Medium Medium	Low Medium	Low to Medium Low	Low Low
Information Provided - quality - comparing alternatives	High Medium to High	Medium Low	Low to Medium Low	Low Low
Product Delivery Time	Immediate	Days-Weeks	Days-Weeks	Days-Weeks
Convenience	Low to Medium	High	High	High

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INTERNET SHOPPING: FINDINGS FROM AN EXPLORATORY STUDY AND RESEARCH PROPOSITIONS

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ABSTRACT

Internet shopping has received considerable attention in both the popular-press and academic journals (Ainscough 1996; Alba et al. 1997). For 1996, sales over the Internet were estimated at \$560 million. However, this amount was only a small fraction of total retail sales of \$2.2 trillion for the same period (Burke 1997), and it was viewed as a modest start to the predicted figures of \$260 billion in worldwide retail sales by the year 2000. Peterson, Balasubramanian, and Bronnenberg (1997) argued that the grandiose predictions for Internet commerce do not account for the inherent complexity of the Internet where participants (manufacturers, channel intermediaries, and consumers) often have different interests. The perceived advantages of the Internet over more traditional in-home, direct marketing modes (e.g., print-catalogs) might vary depending on different factors. Hoffman, Novak, and Chatterjee (1996) and Peterson, Balasubramanian, and Bronnenberg (1997) suggested that there is a need for empirical studies to address some of the unanswered questions; however, they argued that the marketing implications of the Internet should not be considered in isolation, apart from other direct modes of shopping.

The present study extends prior research on in-home modes of shopping to Internet shopping. The present study empirically investigates the following research question: do individuals' perceptions of Internet shopping differ significantly from their perceptions of traditional print-catalog shopping? The findings suggest that there are significant differences in individuals' perceptions of Internet shopping and more traditional print-catalog shopping.

Future studies are needed to empirically examine some of the following research questions: RQ-1: Do consumer attitudes-toward-Internet-shopping differ by demographic profiles? Previous studies have examined the influence of a number of demographic variables including age, gender, education, and marital status (e.g., Settle, Alrick, and McCorkle 1994). Future studies might consider investigating additional relevant variables such as past computer use, degree of computer use, comfort with computers, past direct purchasing behavior, amount of purchases, etc. RQ-2: Do consumer attitudes-toward-Internet-shopping differ by product types? Peterson, Balasubramanian, and Bronnenberg (1997) suggested that marketing channels provide three important functions: (a) distribution - the physical transfer of products and services, (b) transaction - the completion of business deals primarily relating to sales activities, (c) communication - the exchange of information about products, promotions, and price. The Internet, like any other marketing channel offers varying levels of service for each of the three functions. A marketing medium's desirability depends to a large extent on the type of product transacted. Based on the Peterson, Balasubramanian, and Bronnenberg (1997) classification of products/services (i.e., cost of items and frequency of purchase, nature of products - tangible or intangible, and extent to which products are amenable to differentiation), future studies might examine whether consumer attitudes-toward-Internet-shopping differ by product type. RQ-3: Do consumer attitudes-toward-Internet-shopping differ by shopping orientation? Many studies have been based on Stone's (1954) categories of four types of shoppers: (a) economic shoppers view shopping as economic activities and shop for the best bundle of quality and price, (b) personalizing shoppers enjoy developing close relationships with store personnel and tend to shop close to home, (c) ethical shoppers feel moral obligations to shop at local stores, and (d) apathetic shoppers do not enjoy shopping and try to minimize buying effort. Interestingly, Lumpkin, Hawes, and Darden (1986) found certain rural shoppers who were thrift innovators. Thrifty innovators tended to be more oriented toward in-home shopping and would be likely candidates for new shopping methods. RQ-4: Do consumer attitudes-toward-Internet-shopping differ by unique on-line designs? Future studies might examine factors unique to the Internet that play important roles in influencing consumer attitudes. These factors include on-line forums for consumers to exchange opinions, intricate animations to captivate consumer interests, multi-media presentations to compensate for the lack of tactile inspection, and special navigational and search capabilities to make the task of finding specific products easier.

COMMUNICATION AND THE SERVICE EXCHANGE: CONFIRMING THE DIMENSIONS OF PROVIDER RELATIONAL MESSAGES AND EXPLORING THEIR IMPACT ON CLIENT SATISFACTION

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INTRODUCTION

The relationship marketing concept has received much attention in the services marketing literature. Much of this literature has focused on the role of communication in building and maintaining relationships between a service firm, its personnel, and its clients. While some of this research links relational outcomes such as trust (Berry, 1995) to service outcomes such as satisfaction and quality, no research to date has tested a valid classification of relational messages and their impact on service outcomes.

This paper explores client perceptions of the relational messages carried in the communication behaviors of their service providers. The relational dimensions are based on a valid and well-known classification of relational dimensions of communication messages (Burgoon and Hale, 1984; 1987). Relational dimensions capture how participants view one another within a relationship (Burgoon and Saine, 1978). In the service encounter, these messages will position providers relative to their clients in ways that may/may not contribute to favorable service outcomes such as service encounter satisfaction. Knowledge of the types of relational messages that contribute to satisfying service encounters could assist providers as they seek to develop favorable relationships with their new clients.

RESEARCH QUESTIONS

Two research questions were addressed in this study. The first question involved determining which of the eight dimensions of relational messages would emerge in provider communication with their clients. These original dimensions included messages of relational immediacy, similarity, trust, composure, formality, dominance, equality, and task orientation. The second research question investigated how these relational messages impacted client satisfaction with the service encounter. To test these questions, survey data were collected from 106 clients reporting on the communication behaviors of service providers observed in first time service interactions conducted in a variety of service industries.

RESULTS

A confirmatory factor analysis was completed to test RQ1. The CFA confirmed four of the eight relational dimensions (provider immediacy, trust, composure, and depth) in the messages clients received while interacting with their service providers. These dimensions were then regressed on service encounter satisfaction using multiple regression analysis to answer RQ2. While all four dimensions significantly contributed to explaining service encounter satisfaction, client perceptions of provider immediacy carried the most explanatory weight. Perceived provider trust and composure carried similar weight in explaining satisfaction. Provider depth explained the least amount of variance in service encounter satisfaction.

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INTERNAL MARKETING TACTICS: IS COMMUNICATION REALLY ALL THERE IS TO IT?

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ABSTRACT

This article examines the use of internal marketing at a tactical level within the UK financial services sector. The aim here is to identify the elements of internal marketing that are currently being utilized by financial service institutions and to show staff perceptions of these activities.

INTRODUCTION

The principal retail banks in the UK collectively referred to as the High Street banks have been searching for some time now, for a truly sustainable competitive advantage. The uniquely complex nature of financial services has meant that the development of such an advantage has proved elusive (See Bennet 1992, Devlin et al 1994). There is a growing realization that the development of a truly sustainable competitive advantage is in becoming a customer-focused organization providing consistently high levels of service to all customer groups. Authors such as Berry (1981), Gronroos (1988) and George (1990) suggest that there is a strong link between the satisfaction levels of both employees and external customers. Satisfied employees they argue will ultimately be motivated to provide high standards of service to the external customers, a view that is supported by a growing body of empirical research (Schneider et al 1980, 1985; Tansuhaj et al 1987, 1988, 1991). The attainment of a marketing perspective in the work place and the cultivation of a philosophy, viewing employees as internal customers of the organization can greatly assist in the task of developing a customer focused organization (George 1990, George & Gronroos 1989, Gilmore & Carson 1995). The overall strategy and the tactical tools that can be employed to achieve this goal are collectively referred to as '*internal marketing*'. The following article provides an overview of the tactical dimensions of internal marketing as practiced in the UK financial services sector. It includes a brief review of the literature, the results of a qualitative study conducted in two UK Clearing Banks and suggestions on opportunities for future development.

INTERNAL MARKETING

The internal marketing concept has been present in marketing literature for several decades but the actual term emerged from services marketing literature (See for example Berry 1981). It was used to describe a situation where employees within an organization are viewed as customers in the same way as those who ultimately consume the product provided. If employees are aware of the organizations mission and objectives and the needs of the customers with whom they interact, they are likely to have a stronger commitment to meeting and satisfying those needs. Services marketing and management literature demonstrates a clear link between levels of employee and customer satisfaction (see Berry 1987, Bowen & Schneider 1985, Schneider et al 1980; 1985, Gronroos 1981a; 1981b and Tansuhaj et al 1987; 1988; 1991). The acknowledgement of the utility of the internal marketing concept has not yet led to a consensus over a single definition. Berry (1981) defines internal marketing as "*viewing employees as internal customers, viewing jobs as internal products that satisfy the wants of those internal customers while addressing the objectives of the organization*". George and Gronroos (1989) offer a simpler definition describing internal marketing as a philosophy for "*managing the organizations human resources based on a marketing perspective*". Gilmore and Carson (1995) view it as "*the spreading of the responsibility for all marketing activity across all functions of the organization and the proactive application of marketing principles to 'selling the staff' on their role in providing customer satisfaction within a supportive organizational environment*".

Inherent in these definitions is the concept that the '*internal customer*' has needs and expectations that must be met in the same way as those of the external customers. Gronroos (1981a) suggests that at a strategic level internal marketing can be used to develop an ethos of customer orientation within the organization. At the tactical level it acts as a tool to enable employees to understand their role in the organizations ability to achieve its corporate goals. This view is supported by Piercy & Morgan (1994) who view it as a means of gaining support from key decision makers to introduce cultural change and create a service oriented organization. The strategic elements of internal marketing include the adoption of a supportive management style, recruitment and career planning and involvement in policy design, while training, informal interactive communication, periodic newsletters and internal segmentation are considered tactical issues (See also Gronroos 1992, Richardson & Robinson 1986, Morgan 1990, Tansuhaj et al 1991). While conceptually useful this dichotomy is by no means exhaustive and its utility may be somewhat limited. There is however a consensus on the fact that organizational objectives for implementing the strategy must be clearly established before any activity is undertaken. Probably the greatest contribution that internal marketing can offer financial service providers lies in its ability to reduce the size of many of the performance gaps proposed by Parasuraman et al (1985). The discussion that follows concentrates on the impact of internal marketing on the internal customer relationships within an organization. It does not

consider internal marketing efforts in isolation but rather aims to examine their impact on the quality of internal interactions.

METHODOLOGY

Given the significance of internal marketing activity for financial service institutions an exploratory study was undertaken to with the cooperation of two major UK Clearing Banks, for reasons of confidentiality referred to hereafter as Bank A and Bank B. The size of these institutions and the limitations in terms of time and resources meant that the research focused on three identified teams in two geographic regions. It was felt that this allowed a manageable yet functionally diverse sample to emerge. A series of 33 in-depth interviews were conducted with senior and middle managers and front line staff, ensuring that all levels within the bank were given representation. It was felt that while management could offer its perspective on the actual internal marketing activities adopted the front line employees could provide a view on the efficacy of implementation. The interviews were kept semi-structured since the researchers had no *a priori* view of the internal marketing techniques being used or the overall perceptions that would be encountered. The interviews covered both strategic and tactical aspects of internal marketing but for reasons of brevity only the latter are discussed here, details on the former can be found elsewhere (Asif & Sargeant 1998). Identical interview schedules were administered within each bank and it was quickly apparent to the researchers that the pattern of response received was similar between the two organizations. For this reason the results are presented here in aggregate form.

MARKETING COMMUNICATIONS – AN OVERVIEW

In spite of a growing realization of the need and importance of internal communications in the development of a customer-oriented organization, its actual practice continues to be carried out on an *ad hoc* basis within both banks. It falls low on the scale of management priorities and communications budgets are often the first casualty in times of financial constraints. The prevailing view within the banks is that while the intentions behind internal communication programs are sound they fall short in execution. Managers directly involved with the development of these programs feel that the lack of targeted delivery leads to a communications overload and a perception amongst staff that the communications programs are ineffective. Front line staff perceives these communication efforts to be a failure because they do not convey a clear view of the banks' mission and strategic direction.

FORMAL AND INFORMAL COMMUNICATION SYSTEMS

According to the views expressed by senior management in Bank B, internal communications vary in formality and tone according to the position of the originator within the organization. Front line staff tends to be the recipient of more formal communications, such as scheduled meetings and written memos, than other ranks within the bank. At the managerial level the majority felt that the quality of written communication was reasonable and conveyed the message that it was trying to deliver. There was a perception that striking the right balance in terms of how much is communicated and to whom is difficult to achieve and can sometimes be the cause of frustration. Some members of senior management felt that the formal communication systems were ineffective and offered little practical help to their intended users. Bank A felt that their branch networks had developed a more informal communication system that emphasized one to one meetings between managers and staff as the means of resolving issues. These informal systems are however highly dependant on the quality of the people involved at senior and middle management levels. Managers who use information as a means of exercising control over their subordinates reduce the effectiveness of these informal systems. Internal publications were regarded as something of a necessary evil, they did convey information but were also the cause of the information overload faced by employees. It was felt that much of the essential content conveyed was lost in the sheer volume of unnecessary information. As a result the overall view of the organization becomes distorted for the employee.

TWO WAY COMMUNICATION

An effective internal communication system carries information from senior management to the front line while at the same time feeding back the views of staff to the highest levels within the organization. Interviewees were almost unanimous in their view that while the top-down half of the communication system worked reasonably well; the system was ineffective when trying to move information back up the chain. Bank A has introduced a system of '*hot lines*' between managers and staff but the system is not being utilized to its fullest potential. Senior managers see it as a means of allowing staff to vent their frustrations rather than as a bona fide means of getting information from them regarding the banks policies and operations. The working part of the communication process has meant that employees feel that management is making an effort to be more approachable to them. Employees view it as an indicator of management's commitment to them and as an effort to involve them in the organizations overall mission. Middle managers are the most vocal critics of the current system as they feel that the quality of information flowing from their line managers is inadequate and often incomplete.

CROSS FUNCTIONAL INTERACTION

The UK financial service sector has undergone a period of rationalization and specialization. This has meant that the quality of interaction between the various functions within the bank has become crucial. Internal marketing can act as a tool to link the disparate parts of a bank into a cohesive whole. However there is a perception within each bank that cross-functional interaction is a function of individual effort rather than internal systems, making the process highly vulnerable. An overall strategy to guide the tactical elements of internal interaction is absent, creating a strongly myopic view within the banks. As a result staff often view themselves as part of a functional department rather than as a member of an organizational team. This has implications for the development of a customer orientation within the bank.

INTERNAL MARKET SEGMENTATION

There is some suggestion that the banks are trying to implement the concept of internal market segmentation as a means of creating a more effective communication system. However while management accepts the efficacy of internal market segmentation as a means of improving internal communication, there is still a substantial gap in its actual implementation within the organization. Electronic communications are seen as the means of achieving an effective internal segmentation but the required investment is not yet available.

TRAINING EFFORTS

Training is regarded as an important tactical tool in the internal marketing arsenal as it allows management to motivate staff to an improved customer focus and enhanced performance. The perceptions of the employees interviewed varied according to the positions they held. At the junior levels it was felt that the emphasis was on technological training rather than skill development. This created a certain level of resentment amongst staff that they were not being offered the opportunities to develop themselves further within the organization. The fact that training courses had to be requested rather than being offered was viewed as an indication of management's reduced commitment to them. In contrast middle and senior managers felt that training emphasized the development of individual and interpersonal skills. Training courses were seen as the means for improving internal interactions and creating a more collaborative environment. However they felt that these development efforts were not backed by management support making it difficult for them to actually implement what they had learnt, as a result a high percentage of development training was seen as a waste of effort. It is apparent that current training programs are falling short of expectations at all levels within the bank.

EVALUATION SYSTEMS

Evaluation systems provide a means of creating an internal marketing focus within the bank by reinforcing the message of customer orientation. The stated aim within both banks was to build a service focus and provide the best quality of service to their customers, however the existing evaluation systems were not designed to reinforce these messages. The evaluation systems in place tended to be primarily financial with elements of customer service and quality given minimal consideration. Internal service quality is virtually ignored, sending a strong message to employees that providing colleagues good service is not a priority. Employees felt that the current system sent a clear message that service quality whether internal or external is not a major issue. From an internal marketing point of view the need is to bring the evaluation systems in line with the goals that the bank is trying to achieve. Comments from senior management suggest a perception that service performance is impossible to measure and therefore cannot be evaluated. This shortsighted view is observed across all parts of the bank, and as a result the first indication of an internal problem is an external complaint. The current evaluation systems also create a very individualistic culture, where each employee is focused on *'making a sale at any price'* and hence to over promise what the organization can deliver. Given the relationship between expectations, perceived quality and levels of overall satisfaction this can lead to high levels of dissatisfaction amongst external customers and staff. There was some evidence in the interviews to show that senior management is gradually coming to recognize this problem and is trying to develop overall performance management systems incorporating both internal and external service quality issues. However the implementation of these systems requires a substantial change in the overall organizational culture and as such remains problematic.

CONCLUSIONS

In this article we have examined the tactical elements of internal marketing. Management and staff within these banks regard written and verbal communications as the only element of internal marketing that they undertake. However the above discussion makes it clear that while communication is an integral part of internal marketing tactics, other aspects like training and evaluation systems also have to be considered. In view of the findings of the research the following areas emerge as requiring attention.

There is a need for each organization to develop a clear system of internal segmentation for its internal communication programs. This would allow a more efficiently targeted system to develop thereby avoiding the problems of over communication.

A more focused effort is required to effectively develop a bottom up communication system such as the one implemented in Bank A. This could be achieved by developing a follow-up system where the causes of complaints can be analyzed more fully and corrected.

A comprehensive review of current training programs needs to be undertaken. Developmental training should be distributed throughout the organization rather than being the sole preserve of management. It offers a valuable motivational tool and can be used to develop a range of transferable skills. These programs need to be designed in consultation with the departments to which they are offered thereby ensuring management commitment to a program of positive reinforcement. The aim of these programs should be to bring employees in line with the overall organizational goals and objectives.

There is a need for both banks to emphasize that performance is not simply a matter of generating profits but also of providing the type of service that leads to a long-term competitive advantage. An evaluation system that balances the banks profitability needs against service issues is required.

Financial services in the UK have begun to move towards a greater understanding of the significance of internal marketing in their organizations. The process is still in a fledgling state and while the need for an internal marketing approach is recognized the means of achieving it are less clear. Internal marketing is far more than communication, it encompasses elements of organizational behavior, communications and total quality management. When the identified elements of internal marketing work together they can create a highly effective customer oriented work force committed to delivering the highest levels of service quality. It is to this end that management and staff must strive.

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CAPITALIZING ON SIMULATED WORD OF MOUTH IN SERVICESCAPES: AN EXPLORATORY STUDY

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ABSTRACT

This paper examines the effect of signs that provide information through simulated word of mouth and non-personal advocate sources on consumers' perceived veracity and perceived performance risk in the context of two service physical environments (servicescapes). The results of the exploratory study suggest that information provided through simulated word of mouth shows higher perceived veracity and lower perceived performance risk when compare to information provided through non-personal advocate sources.

INTRODUCTION

Personal Sources of Information

Marketing researchers have agreed that the limited pre-purchase information and the high perceived risk associated with the purchase of services force consumers to employ different information acquisition activities from those used in purchasing goods (Zeithaml 1981; Bloom 1984; Bateson 1991; Bowen and Jones 1986; Flipo 1988).

Various researchers have suggested that as uncertainty increases, personal sources of information such as word of mouth and opinion leaders are the most preferred sources of information (Weinberger and Brown 1977; Davis, Gultman and Jones 1979; Guseman 1981; Zeithaml 1981; Garner 1986; Barnes 1986; Mangold 1987; Mangold et al. 1987 Crane and Clarke 1988; Haywood 1989; Stewart Hickson, Pechman, Koslow and Altemeier 1989; Murray 1991; Friedman and Smith 1993; Zeithaml Berry and Parasuraman 1993). Service consumers often lack the ability to evaluate a service before purchase (George, Weinberger and Kelly 1985) and consumers having trouble evaluating services are likely to turn to reference group members for advice (Zeithaml, 1981; Turley 1990). In this regard, researchers have indicated that consumers employ personal sources of information more frequently than non-personal sources of information (Zeithaml 1981) and have greater confidence in personal sources of information (Murray 1991) when seeking information prior to purchase. Consumers wanting to reduce pre-choice uncertainty may be compelled to seek information from other individuals who have experienced the service directly or indirectly. Information from individuals with previous product experience is subjective and evaluative and logically reduces consumers' uncertainty by means of vicarious learning (Murray 1991, 1992).

An empirical study related to information sources and perceived risk in professional services has established that personal sources served to decrease subject's perception of performance risk and increase subject's willingness to buy (Crocker 1986).

Simulated word-of-mouth - Service consumers' preference for and reliance on personal sources of information suggest that persuasive communication strategies should stress experiential rather than technical or objective dimensions of the offering (Murray 1991) and therefore, suggest the opportunity of capitalizing on word-of-mouth communication (George and Berry 1981; Murray 1991; Hill and Gandhi 1992). In this regard, various scholars have suggested that the use of promotional strategies that stimulate and/or simulate personal sources of information such as testimonials (Zeithaml 1981; Hill and Neely 1988; Haywood 1989; Turley 1990; Murray 1991; Hill and Gandhi 1992), can enhance consumers' understanding and trust in services (Murray 1991; Abernethy and Butler 1993; Hill and Gandhi 1992), and can be an effective managerial tool to reduce risk perceptions (George et al. 1985; Hill and Neely 1988; Turley 1990). The managerial implication is that it may be possible to design effective non-personal communication that capitalizes on the service consumers' receptivity to more personal, word-of-mouth communication.

Servicescapes

The marketing literature has long recognized that the physical environment is an important variable that may

influence consumer responses. Researchers agree that the consumer is likely to use cues emanating from the physical environment to evaluate the service (Burton 1990; Turley and Fugate 1992). The physical environment is particularly relevant in highly intangible services (Berry 1980) and in services where the consumer experiences the product/service while in the firm's facility (Booms and Bitner 1986). In these types of services the environmental conditions in which the service occurs are often employed by the consumer as tangibles cues to the quality of the service rendered (Berry 1980; Zeithaml 1981; Grove and Fisk 1983; Turley and Fugate 1992). Therefore, the services marketing literature has suggested that service managers should focus on the design of the physical environment and in understanding the role it plays in the service delivery process (Turley and Fugate 1992), and that managers must understand the communicative power of the physical environment so that it can be strategically planned to influence consumers' perceptions, emotions and behavior (Turley and Fugate 1992; Ward, Bitner and Barnes 1992).

Bitner (1992) has identified the dimensions of the physical environment (servicescape) as all the objective physical factors that can be controlled by the firm to enhance (or constrain) employee and customer actions. The factors were classified in: 1. Ambient conditions; 2. Spatial layout and functionality; and 3. Signs, symbols and artifacts. Ambient conditions include background characteristics of the environment such as temperature, lighting, noise, music, and scent. Spatial layout refers to the ways in which machinery, equipment, and furnishings are arranged, the size and shape of those items, and the spatial relationship among them. Functionality refers to the ability of the same items to facilitate performance and the accomplishment of goals. Signs are explicit communicators, and symbols and artifacts are implicit communicators. Bitner (1992) has indicated that each dimension may affect the overall perception of the environment either directly or through the interaction with other dimensions, and that consumers and employees may respond cognitively, emotionally and psychologically to the environment.

RESEARCH HYPOTHESES

Based on the literature review it can be inferred that personal sources of information and simulated word of mouth can affect consumers' perception, and that the management of informational signs as a dimension of the service physical environment (servicescape) can be used to influence consumers' perceptions. Hence it is hypothesized that:

- H: In a service physical environment signs that provide information through simulated personal sources of information, as compared to signs that provide information through non-personal advocate sources of information will show a significantly:
- a. higher perceived veracity
 - b. lower perceived performance risk

RESEARCH METHOD

An experimental research procedure was conducted to test the research hypotheses in which sources of information (non-personal advocate sources and simulated word of mouth), were manipulated and their effects on consumers' perceptions (perceived veracity, perceived performance risk) were examined in the context of two service physical environments (servicescapes).

The experimental research procedure was similar to that followed by Hui and Bateson (1991). At the beginning of each experimental session the experimenter announced that the main objective of the study was to examine human reactions to daily situations. Then, subjects were instructed to open the survey booklet and to read the scenario. After reading the scenario the subjects were exposed to a series of slides showing the same service setting that was described in the written scenario with one of the sign treatments. The subjects were exposed to six slides in each treatment condition. The slides depicted the waiting room of the service with one informational sign. The slides were projected on a big screen. (Prior studies confirmed that slides can adequately represent the environment (McKechnie 1977; Bosselmann and Craik 1986; Stamps 1990; Bateson and Hui 1992).) Once the slides were projected for approximately five minutes, the subjects were instructed to answer the self administered questionnaire. The questionnaire measured the dependent variables perceived veracity (Beltramini 1988), perceived performance risk (Shimp and Bearden 1982; Crocker 1986; Stone and Gronhaug 1993), demographic variables and manipulation checks about the attribute quality information in the sign.

The following pretests were involved in developing the research methodology:

1. Identification of two services that do not differ significantly with respect to service consumers' perceived performance risk and likelihood of purchase. The services selected were auto repair services and dental services.
2. Development of informational signs that do not differ significantly with respect to attribute importance. The signs were related to the following:
 - a. Mechanics' certifications and training
 - b. Mechanics' clear and thorough explanations
 - c. Cleanliness of the dental service facility
 - d. Dental personnel, clear and thorough explanations
3. Development of written scenarios (auto repair service and dental service) that do not differ significantly with respect to the criticality associated to the purchase situation.
4. Pretest of the perceived veracity and perceived performance risk scales.

RESEARCH FINDINGS

A sample of 217 undergraduate students participated in the experimental study. These participants correctly identified the information in the informational signs and source of information. The results of the ANOVAS used to test the hypotheses are summarized in **TABLE 1**. (Since these hypotheses predict direction of the difference a one tailed test was performed, and the p values obtained from the ANOVA were divided by 2.) The analyses of variance indicate that signs that provide information through simulated word of mouth show a:

1. Significantly higher perceived veracity (Auto: $X_{wom} = 3.09$ vs $X_{non-personal} = 2.80$, $F(1,108) = 4.34$, $p < .05$; Dental: $X_{wom} = 3.70$ vs $X_{non-personal} = 3.23$, $F(1,107) = 11.86$, $p < .001$).
2. Significantly lower perceived performance risk (Auto: $X_{wom} = 4.69$ vs $X_{non-personal} = 5.01$, $F(1,108) = 2.95$, $p < .05$; Dental: $X_{wom} = 4.34$ vs $X_{non-personal} = 4.86$, $F(1,107) = 7.79$, $p < .005$)

in the context of an auto repair service and dental service. These findings support the research hypotheses.

IMPLICATIONS AND LIMITATIONS

The results of the exploratory study support the proposed hypotheses. Specifically, the results suggest that:

1. Simulated personal sources of information in the service physical environment increase perceived veracity and reduce perceived performance risk among service consumers.
2. Signs are a dimension of the service physical environment that can influence consumers' perceptions.

From a theoretical perspective this study makes two contributions to the marketing literature. First, it is one of the few that examines how an environmental dimension influences service consumers' perceptions. This study constitutes a modest beginning to filling this gap in the literature. The second theoretical contribution is that the study provides an understanding of service consumers' information needs and service consumers' information acquisition activities. From a managerial perspective the findings suggest: 1. the management of informational signs to affect consumers' perceptions in service physical environments, 2. the opportunity of capitalizing on simulated word of mouth, and 3. the usage of techniques such as video tapes, photos and computer aided design to ascertain the potential impact of alternative forms of an environmental dimension.

There are several potential limitations to the study. These limitations, along with the study's findings, also suggest directions for future research. Although the study results generally support the hypotheses, the results are necessarily limited to the context of the study. Future research is needed to explore the effects of informational signs on consumer's perceptions with other services (e.g. low risk, not frequently purchased, non professional), scenarios (e.g. regular consumers, low critical scenarios), sources of information (e.g. word of mouth, opinion leaders, experts), and environmental stimuli to provide information (e.g. infomercials, videos, brochures, employee advice).

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TABLE 1
ANOVA RESULTS
 EFFECTS OF SOURCE OF INFORMATION ON
 PERCEIVED VERACITY AND PERCEIVED PERFORMANCE RISK:

Cell Means, Frattios and significance levels.

	SOURCE OF INFORMATION			
	<i>Simulated WOM</i>	<i>Non-personal</i>	<i>F</i>	<i>P</i>
AUTO REPAIR SERVICE				
Perceived veracity	3.09	2.80	4.34	0.02
Perceived Performance risk	4.69	5.01	2.95	0.05
DENTAL SERVICE				
Perceived veracity	3.70	3.23	11.86	0.00
Perceived performance risk	4.34	4.86	7.79	0.01

- NOTES:**
1. Auto repair service N=109
 2. Dental service N=108
 3. A 5-point scale (1=low veracity to 5=high veracity) was used to assess perceived veracity.
 4. A 7-point scale (1=low risk to 7=high risk) was used to assess perceived performance risk.

CELEBRATE THE MOMENTS OF YOUR LIFE: AN INVESTIGATION OF TIME AS A CULTURAL VALUE IN AMERICAN TELEVISION ADVERTISING

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ABSTRACT

The depiction of time as a cultural value has received rather limited attention in the advertising literature, despite its frequent use in message strategy. This study fills that void by offering a framework for analyzing the many ways that time is depicted in advertising. The key time elements noted were Limited Time, Marking Time, More Time, Oriented Time, and Sequenced Time.

INTRODUCTION

According to the anthropologist Edward Hall (1983) nothing occurs outside a time frame, although each culture has its own unique pattern of time. To function in a culture it is as necessary for individuals to learn the language of time as it is to learn the spoken language. Despite extensive attention from anthropologists and continued interest in cultural values among advertisers, time has been the focus of only two content analyses of cultural values published in marketing and advertising journals from 1980 through 1997 (Gross and Sheth 1989; McCarty and Hattwick 1992). This study examines the way advertising depicts time so that marketers and advertisers can create stronger messages that resonate with their audiences. Furthermore, it provides insight for other social scientists who take interest in how one of the core cultural values in American society is communicated.

Monochronic and Polychronic Time

Hall (1959; 1966; 1983; 1987) refers to two predominant time systems in the world. "Monochronic" time refers to doing one thing at a time, and cultures that operate on this time system are inhabited by "low involvement" people who compartmentalize time and rely heavily on schedules. "Polychronic" time refers to doing many things at the same time, and cultures that value this time system are inhabited by "high involvement" people who allow relationships to prioritize their time. Polychronic people perform many tasks simultaneously, are not disturbed or irritated by interruptions, generally resist being held to deadlines, and are not strictly bound to schedules. Appointments mean very little and may be shifted around even at the last minute to accommodate someone more important in an individual's hierarchy of family, friends, or associates. Monochronic people think of time as a finite commodity that can be saved, spent or lost; they generally perform one task at a time in a linear fashion, are clearly disturbed by interruptions, honor deadlines, and think of schedules as sacred and unalterable. Hall notes that the U.S., Germany, England, and the Scandinavian countries are monochronic while Japan, India, France, Spain, Latin America, South America, and the Arab countries are polychronic.

Orientation to Past, Present and Future

Countries also differ in their orientation to the past, present, and future (Hall 1987). Iran, India, and the Far East are examples of countries oriented in the past while the U.S. is oriented in the present and short-term future. Past-oriented cultures value tradition and make decisions within the context of lengthy historical information while present- and future-oriented cultures rarely do so because the past is not relevant. Americans generally look upon the past as finished (Hall 1983).

Time as a Marker

Cultures differ in their manner of tracking or marking time. With few exceptions (Lorenz and Vecsey 1986), most cultures record the passage of time by noting such things as the day's date, a person's age, and the length of time between significant events. Cultures also celebrate special holidays such as Thanksgiving, Christmas, Labor Day, and the 4th of July. While these are markers that the culture celebrates on the same day, other markers are rites of passage that mark time for

individuals, e.g., getting a driver's license, attending the high school prom, turning 21 years old, graduating from college, getting married, and retiring from work (Wolburg and Stankey 1994).

METHODOLOGY

Obtaining the sample

A sample of commercials from 14 hours of primetime network television programming (8:00 p.m. to 11:00 p.m. ET) was obtained by taping all programming on ABC, CBS, NBC, and FOX on a single night with additional hours on subsequent nights. Network programming was chosen over cable to access a broader demographic group, and primetime was chosen because it attracts the largest audience (Surmanek 1994).

Research Questions

RQ1 How is time depicted in network primetime television advertising? To answer the question, Hall's anthropological framework of monochronic and polychronic time was revisited for the purpose of creating tentative categories associated with each time system. Since the U.S. has been identified as a monochronic culture, expressions of monochronic time were far more expected than polychronic expressions. In fact, the first full viewing of the ads found ample expression of monochronicity but none of polychronicity. A total of five categories emerged including one monochronic time category and four time categories that could occur within either time system. They are: Limited Time, Marking Time, More Time, Oriented Time, and Sequenced Time.

Limited Time. The category reflects the monochronic concept of a finite or limited commodity -- something that can be quantified, measured, saved, lost, spent, scheduled, and accounted for. The presence of Limited Time was noted for ads that made any of the following claims:

1. The product is fast-acting.
2. The product is long lasting.
3. The product is sold for a limited time only.
4. The product allows users to avoid spending time unproductively (e.g., being sick).
5. Consumers are urged to not miss out.

While these concepts are different, they are all tied to the monochronic belief that time is a finite commodity. Because time is finite, it can be managed best by doing one thing at a time in a linear, task-oriented manner.

Marking Time. Marking time encompasses the process of commemorating events and counting the passage of time. This was primarily depicted in ads through celebrations of birthdays, anniversaries, award ceremonies, special occasions, or holidays. Because the culture marks birthdays as a passage of time, products related to the aging process or claiming to give a youthful appearance are included in this category.

More Time. The more time that goes by from an arbitrary starting point, the greater the knowledge of science/technology -- thus, the better the product is. Those that are new and improved are introduced with certain fanfare, and they are allowed to claim explicit or implicit superiority. Products that have withstood the test of time and endured in the marketplace also claim superiority due to longevity. Ads claiming the product is either new and improved, or superior due to longevity are coded in this category.

Oriented Time. Orientation reflects the concept that ads are directed toward the past, present, or future. All ads show products that are currently available with calls to action in the present; however, some products are used for reasons set in the past or future. Ads oriented in the past may show people using a product because it carries on a tradition that they want to continue or because it is associated with nostalgia. Products oriented in the future have benefits beyond the immediate present that will be gained at a later time, such as preparing for a future job by getting an education or joining the military to earn money toward college.

Sequenced Time. The sequence of time in ads contains three possible choices including real time, compressed time, and non-linear time. Ads in real time are those in which the action appears to take place chronologically from start to finish within the time of the ad. Ads in compressed time are those in which the action is speeded up in order to show the completed activity from start to finish within the ad. Non-linear time refers to a number of ads that use one of a variety of editing styles that show a montage of images that are not chronological. Many of these ads are edited to look like music videos with a series of shots that create an image for the product.

RQ2 How prevalent are these expressions? Are they linked to certain products more frequently than to others? After identifying the expressions of time, a coding sheet was utilized to record the frequency of each expression by product category. While the numerical representations offered important insights, the percentages should primarily be used to evaluate the relative strength of these expressions rather than to project frequencies for future samples. Certain time expressions occurred in every ad; thus, they are not to be evaluated as mutually exclusive categories. The findings are reported below with examples from each time expression.

FINDINGS, EXAMPLES, AND FREQUENCIES

Limited Time. A total of 99 ads (50%) incorporated the concept of Limited Time. The two most distinct examples were for products that claimed to save time for the user (a total of 69 ads or 35%) and for products that were offered for a limited time only (30 ads or 15%). An ad for Tide detergent and Whirlpool washers showed a couple who run a bed and breakfast sitting on the porch talking. Part of their lines emphasize the time constraint they work under. "Our guests check out at noon and new guests come in at 2:00. We don't have time to do things twice. We do eight, maybe 10 loads of laundry a day. That's a lotta laundry. I need all the help I can get." The products allow them to get the job done right "first time every time."

A "limited time only" ad for Sear's Home Appliances demonstrates the notion that time expires. It uses a dialogue between an unseen male voiceover and a young woman. He remarks, "You know the National Home Appliance Sale is one of the biggest events of the year. So, you're not going to miss it are you?" Her response is, "Miss it? You gotta be kidding."

A total of 79% of the "Restaurant, Fast Food and Pizza" ads used limited time messages, while 71% of the "Appliances, Stores and Entertainment" ads and 67% of the "OTC Drugs" did. These three categories made the most frequency use of the strategy, although all product categories used them to an extent.

Marking Time. Ads in this category claim the product enhances experience by commemorating events and special occasions, and by tracking birthdays, anniversaries, etc. A total of 51 ads (26%) incorporated markers. An ad using this technique for General Foods International Coffee uses the long running, "Celebrate the moments of your life." The ad opens at home with a woman serving coffee to a close friend as they reminisce about their earlier days in Europe.

Other products using this technique included Blockbuster Video, which claimed the product can take an everyday experience and make it "a Blockbuster night." An ad for Healthy Choice commemorated the season by showing a series of people making "Healthy Choice New Year's Resolutions." A total of 38% of the "Appliances, Stores and Entertainment" ads used marking time messages, while 37% of the "Restaurant, Fast Food and Pizza" ads and 37% of the "Automotive" ads did. Although all categories used them to an extent, these three product categories made the most frequent use of the strategy.

More Time. Ads in this category recognize that improvements come over time. A total of 56 ads (28%) included these messages. An ad using this technique showed a woman struggling to get a rented shampooer out of the trunk of the car while a voiceover for Resolve Carpet Granules says, "You used to have to drag a shampooer home to clean high traffic areas...Today there's Resolve High Traffic Carpet Cleaning Granules. Just shake on, brush in...Later, vacuum clean."

A total of 64% of the "Cleaning Products" ads used more time messages, while 59% of the "Automotive" ads and 44% of the "Health and Beauty Aids" ads did (see Table 1). While these three product categories made the most frequency use of the strategy, all categories used them to a degree.

Oriented Time. Orientation is one of two expressions present in all ads. While they could be oriented in either the past present, or future, the overwhelming majority (193 ads or 97%) were oriented in the present. Four (2%) were oriented in the future, and only one (1%) was oriented in the past. For example, an ad for the Navy delayed its main benefits to the future because it offers job experience that enhances one's ability to compete for the next job. The one ad in the sample with a past orientation portrays a woman about 40 years old who recommends Dove Soap because her grandmother used it.

Sequenced Time. Sequence was the final time characteristic coded, and each ad used either real time, compressed time, or non-linear time. The vast majority of ads (152 or 77%) used compressed time; 31 ads (15%) used real time; and 16 ads (8%) used non-linear time. Many compressed time ads were product demonstrations such as one for Lysol Drain Opener ad. Testimonials often used real time while products that relied heavily on image appeal typically used non-linear editing style.

SUMMARY AND CONCLUSIONS

The identification of the five elements provides advertisers with a framework for evaluation of time concepts among each target market. While the executions of the expressions in the sample may resonate well with a majority of American consumers, they may be ineffective for people outside the U.S. and for Americans of ethnic backgrounds that value polychronic time. For example, Hispanics and Asians living in the U.S. who retain their original cultural heritage may not find monochronic Limited Time messages persuasive. Likewise, American advertisers who communicate with other cultures may incorrectly assume that time-saving claims are persuasive to their audience.

Other time expressions are also important to a given culture. The determination of orientation is an important factor that allows advertisers to root their claims in the proper time frame. While the sample relied heavily on present orientation and occasional future oriented messages, other cultures steeped in tradition may utilize past orientation more effectively. In contrast, advertisers in cultures that make little provision for the future may create more effective messages by emphasizing immediate benefits over future benefits.

Past-oriented cultures may not respond favorably to More Time claims that the product is better simply because it is new or technologically advanced. Advertisers in other cultures may also be more likely to rely on real-time than compressed-time ads. Compression in narratives exists so that a story can be told in a play or movie, but anecdotal evidence suggests that time compression for product demonstrations in ads may be uncommon in many countries' advertising outside the U.S. Until this concept is properly researched, American advertisers should not take for granted that time compression for product demonstration is an effective strategy. The use of markers may also vary considerably. While both monochronic and polychronic cultures mark the passage of time, cultures vary in their observance of holidays and the commemorations of events. This knowledge is essential for advertisers who position a product as a marker of time.

Since the field of international advertising has ample evidence of campaigns that worked in one country but failed to work in another because of cultural differences (Ricks 1983), the use of a framework to identify cultural differences in the concept of time may spare American advertisers from the faulty assumption that what works in the U.S. has an equal chance of working within another culture.

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EXTENSION AND VALIDATION OF THE CONSUMPTION VALUE THEORY WITH SPECIFIC REFERENCE TO SHOPPING CENTRE PATRONAGE IN SOUTH AFRICA

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ABSTRACT

The consumption value theory was triangulated with the means-end theory and it is concluded that both these theories integrate well into an extended consumption value theory. The CVT can then be considered to be theoretically validated. The validated theory was applied in the context of the patronage (-of shopping centres) decision, and it was found to extend to this previously untested decision.

INTRODUCTION

The purpose of the study was to extend and validate the consumption value theory (CVT). The extension was twofold. First, the five values postulated by Sheth et al (1991) were investigated by means of a literature survey and second, the CVT was extended to incorporate the patronage decision as another specific decision type which had not previously been tested. The validation of the theory involved the use of the laddering methodology to investigate the existence of values as identified by Sheth et al (1991).

There are two (unrelated) theories of consumer behaviour which both have values as important constructs :

Means-End Theory

The means-end theory is a generic theory, but has been popularised by Gutman (1982) and Olson and Reynolds (1983). The means-end model postulates that attributes, consequences and values (as determinants of market choice) exist in a hierarchical relationship, with attributes at the superficial level, and values at the highest or most personal level. Values are then per definition harder to identify, but also apparently more significant and fundamental in the decision-making process.

Consumption Value Theory (CVT)

The five values which determine consumption decisions as identified by Sheth et al (1991:18-22), are briefly defined below:

a) Functional Value -

"The perceived utility acquired by an alternative as the result of its ability to perform its functional, utilitarian or physical purposes. Alternatives acquire functional value through the possession of salient, functional, utilitarian or physical attributes".

b) Social Value -

"The perceived utility acquired by an alternative as a result of its association with one or more specific social groups. Alternatives acquire social value through association with positively or negatively stereotyped demographic, socio-economic, and cultural-ethnic groups".

c) Emotional Value -

"The perceived utility acquired by an alternative as a result of its ability to arouse feelings or affective states. Alternatives acquire emotional value when associated with specific feelings or when they facilitate or perpetuate feelings".

d) Epistemic Value -

"The perceived utility acquired by an alternative as a result of its ability to arouse curiosity, provide novelty, and/or satisfy desire for knowledge. Alternatives acquire epistemic value through the capacity to provide something new or different".

e) Conditional Value -

"The perceived utility acquired by an alternative as a result of the specific situation or the context faced by the choice maker. Alternatives acquire conditional value in the presence of antecedent physical or social contingencies that enhance their functional or social value, but do not otherwise possess this value".

In addition the sixth value identified in this project, can be defined as:

f) Significant value -

"The perceived utility acquired by an alternative as result of its ability to invoke a sense of destiny and a sense of the symbolic and cultural achievement for the individual. Alternatives acquire significant value by representing something of a symbolic nature relating to the consumer's self concept".

METHODOLOGY OF THE STUDY

This study essentially consisted of a literature survey and an empirical survey to gather data, which was then analysed in the qualitative research paradigm, but then quantified using new software (Laddermapp) that has become available.

The purpose of the literature survey was to ascertain whether the literature supported the interpretation that determinants of patronage could be classified as attributes, consequences or values. The factors or determinants which were identified to be at the attribute-level, were used to prompt respondents at the next data gathering phase, namely the personal interviews. The personal interviews were the primary means of data collection, and were conducted with due consideration of the inherent difficulties of such interviews, and according to the prescribed laddering methodology.

Before proceeding with a description of the methodology applied in this research, it is necessary to define some frequently used terms:

- **Hierarchical Value Map (HVM) -**

A HVM is a cognitive map that represents the consumers' associations (linkages) across three levels of abstraction [attributes->consequences->values]. The map is essentially a pyramid with many attributes, fewer consequences, and least values which are perceived to be linked in a certain way in the mind of the consumer. (Gengler, 1996).

- **Means-end chain -**

A means-end chain is a choice heuristic with three levels of abstraction (attributes->consequences->values), which explains the sequence of how people choose. A choice alternative is evaluated in terms of its attributes, then the consequences (positive or negative) of those attributes, and finally the desirability/undesirability of those consequences are determined by the values associated with them. (Gengler, 1996).

- **Laddering -**

Laddering is an in-depth, individual interviewing technique consisting of a series of directed probes typified by the question: “Why is that important to you?”; in order to understand how consumers translate attributes into underlying values. (Reynolds & Gutman 1988).

Sampling of patrons

As is usually the case with qualitative research, purposive sampling is applied. That is: respondents are chosen on the basis of meeting the needs of the research project. Respondents were asked to refer the researcher to another potential respondent (snowball sampling), one who is likely to feel similarly about shopping, and one who is likely to feel differently. This was done to ensure a sample that is as heterogeneous as possible.

The number of interviews was determined ex-post facto by considering the point of data saturation. Once repetition sets in, there is not much point in continuing. In qualitative research it is often somewhere between six and ten interviews. On the other hand, most laddering studies to date have been conducted with 30 - 50 respondents.

Data Collection

Laddering was the primary method of data gathering, and was conducted amongst respondents on a one-on-one, individual basis. The following steps outline the procedure followed:

- Step 1: Conducting the interviews
- Step 2: Content analysis and coding
- Step 3: Generating the implication matrix
- Step 4: Generating the hierarchical value map (HVM)

The final step is the construction of the HVM. The map is gradually built up by considering all the linkages as indicated in the implication matrix. If this analysis is done manually, it becomes very tedious and time consuming, with a resultant loss in accuracy. Gengler & Reynolds (1995) have developed and tested software (Laddermap) which assists the researcher in this regard. The HVM is a tree-like graph which consists of nodes (representing ACV's) which are linked by straight lines. These lines vary in thickness, which indicates the strength of the relationship between constructs.

EMPIRICAL DETERMINATION OF ATTRIBUTES, CONSEQUENCES AND VALUES

The following list of attributes, consequences and values were identified as determining choice of shopping centre.

Attributes

- *People* - This attribute includes those dimensions which can be attributed to the kind of people who work or shop in the shopping centre.
- *Appearance* - This construct incorporates the physical appearance or look of the centre.
- *Layout* - This construct refers to the positioning and location of the stores as well as the physical dimensions of the centre.
- *Retail requirements* - This construct encompasses the type, quality and quantity of retail outlets in the centre. By and large, patrons are reasonably satisfied by the tenant mix of the regional centres.
- *Time and money* - Initially coded as two separate concepts, it was later combined as neither constructs proved to be very important. Time awareness and cost emerged strongly at the consequence level, and its relative

unimportance at this level may be attributed to the favourable socio-economic status of the respondents who participated in this research.

- *Parking* - This construct also includes the availability and security of parking.
- *Convenient location* - It was found that regional centres are used extensively for convenience shopping as well, and hence the relative importance of convenient location.

Consequences

- *Aspirational* - This element is closely related to the significative value construct. It highlights the symbolic dimension or role of the shopping centre (eg. Its importance to society, reflects growth, first world, snob value, etc.)
- *Ambience* - This construct incorporates the “feel” of the centre. It is important to patrons that the centre is not too crowded, but also not too empty. The general requirement was a pleasant atmosphere where the patron can shop at his or her own pace.
- *Belonging* - This construct can be best summed up as patrons wanting to shop amongst their own kind.
- *Convenience* - Convenience is mostly consequential to parking, layout and tenant mix factors of the centre.
- *Cost* - This construct clearly illustrates that the shopping centre offering is totally integrated with the retail offerings. The centre management does not have much control over the prices charged by retailers. Yet, patrons see certain centres as more expensive than others, and that influences their patronage decision.
- *Feelings* - This construct incorporates what was initially coded as three separate constructs, namely emotional distancing, emotional well-being and hedonism. For the purpose of creating the hierarchical value maps they were combined into the feelings construct, because of their positions relative to each other in the HVM.
- *Familial impact* - A fairly important consideration for many patrons is the effect that shopping time has on their families. The most frequent concern was that shopping time competed with family time.
- *Historic factors* - The heading of this grouping of elements posed some difficulty, and is best described as “being myself”. A significant number of patrons alluded to the fact that they felt more at home in an environment where they could be themselves.
- *Individual goal directedness* - This constructs incorporates patrons desire to meet their goals and objectives in a responsible manner.
- *New experience* - This construct refers to the epistemic dimension of shopping - which allows the patron to acquire new knowledge and experience - and which are deemed to be quite important.
- *Time awareness* - The need to save time is mostly expressed as a consequence to the convenient location of a centre.

Values

The values which were tested for and found in the research are:

- Social values

- Emotional values
- Functional values
- Epistemic values
- Significant values

HIERARCHICAL VALUE MAPS

Some of the significant outputs of this research are the hierarchical value maps (HVM's). A HVM is gradually built up by connecting all the chains that are formed by considering the linkages in the large matrix of relations among elements (Reynolds & Gutman, 1988:20).

The total picture emerging from this analysis is that the patronage of a regional shopping centre is primarily a socio-emotional experience even more important than the functional values of having to buy goods or services. A strong path exists from retail requirements (cost) (individual goal directedness) (emotional value). Similarly, there are other strong paths that exist that are obvious from the HVM. Theoretically, it is possible to position your product (a shopping centre) according to any one such path.

VALIDATION OF THE CVT

The CVT is based on an extensive, inter-disciplinary literature review (Sheth et al, 1991:3) which provided the basis for the development of a measuring instrument (questionnaire) which was then used to successfully test the theory in over 200 studies. In this project, a different method (laddering interview) is used to empirically arrive at the underlying values. That is, Sheth et al (1991) relied on a literature survey to identify the value domains which were then tested in a specific choice situation; whereas this project used an empirical test (laddering) to determine the values which determine consumer choice.

CONCLUSION

The laddering technique was used to validate the consumption value theory as applied to the patronage decision, and the findings based on the laddering technique are furthermore supported by the extensive literature survey. This suggests that the attempted validation was successful, and one may conclude that the consumption value theory (as extended) is a valid and meaningful theory that is extremely useful to predict the three types of market choice (as identified by Sheth et al, 1991) of whether:

- To buy or not to buy [To patronise or not to patronise]
- Which product to buy [Which type of shopping node/ centre category to patronise]
- Which brand to buy [Which specific centre in a category to patronise]

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AN EXPLORATION OF VALUES IN VARIOUS CULTURAL CONTEXTS : DISCUSSION LEADER COMMENTS

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I begin with a brief overview of the session. Subsequently, I discuss each of the papers in turn, paying special attention to potential ideas for future research. The title of the session captures the common theme quite accurately. Each of the papers investigates one or more values within the context of a specific culture. Wolburg investigates the manner by which time, an important cultural value, is depicted in American television advertisements. Jooste and Price identify five values that are used by South African consumers in deciding which shopping center to visit.

Title: Celebrate the Moment of Your Life: An Investigation of Time as a Cultural Value in American Television Advertising

Cross-cultural psychologists have identified several schemas for categorizing cultural differences. An important yet understudied dimension is time orientation namely the manner in which time is perceived in a given society. Using the content analysis methodology, Wolburg uncovered five distinct depictions of time in American TV ads. Additionally, she investigated the frequency with which each of the latter five types occurred and whether they were linked to specific products. While infrequently used in consumer research, content analysis has much to offer. In the current context, the methodology is highly appropriate. TV advertisements are a vehicle for expressing the cultural values of a given society, and hence analyzing their contents to better understand Americans' time orientation is indeed very clever. I foresee several interesting avenues for future research:

- 1) Given that time orientation is a key cultural dimension, conducting a similar study but in other countries would prove fruitful. For example, the author can identify a polychronous society (e.g., France) and investigate whether the pattern of time depictions differ from those in the current study according to some a priori expectations. Using the results obtained via the content analyses, the author might wish to develop a measure of monochronicity/polychronicity (M/P). In other words, can the author find a function that maps the scores from the content analysis onto a M/P scale? This exercise would likely facilitate cross-cultural comparisons along the time dimension.
- 2) In the same manner that an individual's values change throughout life, cultural values are also prone to aggregate-level shifts. For example, North American society has become more gender-egalitarian as compared to say thirty years ago. It would be interesting to see whether time as a cultural value has evolved within American society. Thus, a temporal comparison could be carried out between say TV ads of thirty years ago, fifteen years ago and today.
- 3) Attempting to understand the relationship between product category and type of time depicted strikes me as a potentially fruitful endeavor. In the same way that we have functional and hedonistic products as a dichotomy of product types, can the authors devise a framework or theory for categorizing the time depictions across types of product categories?
- 4) The author might wish to replicate the study using ads in other media, e.g., in magazines and/or on the radio. Such an exercise would increase the empirical robustness of the findings obtained in the current work.

Title: Extension and Validation of the Consumption Value Theory with Specific Reference to Shopping Centre Patronage in South Africa

The paper investigates some factors that explain why consumers shop at particular shopping centers. As such, the practical implications of such an endeavor are clear. However, while realizing that my task here is to be directive and not critical, I find that Jooste and Price have failed on two important points (without which it is difficult to gauge the current work): (i) no explanation is provided of the raw data; Hence the reader has no way of grasping the empirical contributions; (ii) none of the data analytic techniques (e.g., laddering, implication matrix, hierarchical map) that are mentioned in the paper are explained. Thus, it is imperative that in future versions of the current work (if any), the authors address the latter weaknesses. Having said that, I foresee several possible paths for future research:

1) Consumption Value Theory (CVT) proposes that several values (e.g., functional, emotional, social etc...) can be potentially satisfied when an individual makes a consumption decision. Jooste and Price use CVT to explain patronage at a shopping centre. The next step might be to identify how important each value is when consumers are choosing which shopping centre to visit. For example, when discussing hedonistic (e.g., perfume) vs. functional (vacuum cleaner) products, emotional values are likely to be more relevant for the former. Similarly, the authors might try to identify some of the conditions under which one value would dominate in one context but not in another? For example, functional values might be more important when facing time pressure (e.g., "I need to buy a gift in the next hour and hence I will go to the nearest shopping centre") whereas social values might dominate when trying to impress someone on a first date (e.g., "She will think that I am very sophisticated if we go to this elegant shopping centre").

In a recent paper, Laroche et al. (1997) investigated three sets of moderators of search that are relevant when consumers are shopping for a Christmas gift. These were situational (e.g., presence or absence of time pressure), personal (i.e., personality traits) and demographic variables. Given the situational nature of the Christmas season, it is not surprising that Laroche and his colleagues found that situational variables had the largest effect on the extent of prepurchase gift search. My sense is that the patronage decision that Jooste and Price are exploring is similarly prone to situation-specific influences. As such, it is unlikely that for a given consumer, his/her relevant set of values remain invariant across situations. Actually, the authors state that "...the influence of certain (environmental-) conditions such as shopping specifically for Christmas presents, was not evaluated". In my opinion, such situational variables are crucial to the issue at hand and accordingly should not be ignored in future research.

2) The authors discuss two types of patrons namely type Q (for "Quickly") and type R (for "Relaxed") and state that "...the patron may fluctuate between these two roles, depending on the circumstances (conditional values) but that, on the whole, a consumer will primarily fall into one of these categories". Thus, they are implicitly recognizing the situational nature of the phenomenon at hand yet allude to the fact that the dichotomy (Q vs. R) might be part of a consumer's stable personality make-up. A potential area for future research would be to precisely resolve this contradictory position. Is the Q vs. R dichotomy a reflection of one's personality or is it context-dependent? What are the relevant factors that might optimally discriminate between the two groups of patrons? For example, are there personality traits that differentiate between the two types of patrons? Demographic differences? What are the specific situational variables, other than obvious ones such as time pressure, that can shift one from being type Q to type R or vice versa?

3) The authors identified several laddering pathways to explain the shopping patronage decision. The latter pathways are causal links from attributes to consequences to values. For example, two pathways mentioned in the paper were: (1) convenient location -> save time -> spend more time with family; and (2) nice people who shop here -> creates a nice atmosphere -> feel at home. The authors might wish to develop a framework to explain the circumstances under which one pathway might be operative for one consumer but not another. Once again, my intuition is that these pathways are grossly context-dependent, in which case identifying the relevant situational moderators strikes me as a fruitful future endeavor.

4) In one of the closing paragraphs of their paper, Jooste and Price state: "McGoldrick (1990:71) refers to evidence that store-selection criteria tend to be situation-specific and that they tend to shift over time. Values, on the other hand, are stable factors, and allow long term positioning strategies". As I have previously stated, I disagree with this view and instead believe that the shopping patronage decision is also situation-specific. However, assuming the values as identified by CVT are stable and hence invariant within a given time period, two potential areas for future research might be to: (1) investigate whether cross-cultural differences exist in terms of the distribution of importance weights assigned to each value; (2) explore via a longitudinal study whether values as identified in the current context change with time. For example, the functional value associated with "ease of shopping due to the geographical proximity of the center" might become more important should a society evolves from being a monochronous to a more polychronous culture.

5) The authors may wish to demonstrate in future research how the current approach (CVT) ameliorates our understanding of the shopping centre patronage decision in comparison to other approaches that have addressed this issue. I shall explain this point via an example from my own research area. As a behavioral decision theorist, I am interested in developing descriptive theories of decision making as opposed to say economists who are more interested in proposing normative models. The former endeavor concentrates on explaining the actual decisional processes whereas the latter rubric of research predominantly focuses on how an individual ought to behave given a set of normative axioms of rational choice.

Understanding the scope and raison d'être of each research stream permits one to situate the progress within the decision making field. A similar exercise in this context might prove helpful in elucidating the contributions of the current work.

Conclusions

Oftentimes at conference sessions, papers are at best linked by a very thin thread of commonality. Clearly, this was not veridical in the current case. The papers explored a panoply of values in disparate cultural settings, all relevant to a fuller understanding of consumer behavior. Given today's global economy, such an international perspective is highly appropriate. I wish the authors much success in their respective research programs.

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WORKER-FIRM VALUE CONGRUENCE IN LOW-LEVEL SERVICE PROVIDERS: VALIDATION OF A NEW RESEARCH TOOL

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ABSTRACT

This paper discusses the preliminary development of a new six-item worker-firm value congruence measurement tool that avoids the use of controversial difference scores while providing simultaneous measurement of worker values relative to firm values. The initial application of this five-point Likert scale tool, in the study of low-level service providers ($n = 495$), generated strong internal consistency ($= .75$).

INTRODUCTION

The relationship between workers and the employing firm, also called Person-Organization (P-O) fit, has received increasing analysis in several disciplines over the past 20 years validating a variety of independent variables affecting worker behavior (Rynes and Gerhart 1990). One factor all P-O theories share is the need for congruence (Aronoff and Wilson 1985), calling for a "fit" between the characteristics of the person and the organization to produce a desirable level of worker production. Edwards (1991) defines P-O fit as the degree of match between what employees want, and what they actually experience, at work. The underlying assumption is that a good match between people and firms will yield a better "fit", and thus better production than a poor person-organization match (Ostroff 1993b).

The relation between the worker and the firm's values is the most frequent operationalization of P-O fit (e.g., Chatman 1991) and is often used synonymously with the term P-O fit (Kristof 1996). However, other forms of P-O fit have been studied, including: (a) Goal congruence between the worker and the organizational leader, immediate supervisor, and peers (e.g., Patsfall and Feimer 1985), (b) individual preferences in relation to organizational systems and structures (e.g., Turban and Keon 1993), (c) the worker's compatibility with specific jobs (e.g., Blau 1987) and (d) demographic similarities between employees in the firm (e.g., Tsui, Egan, and O'Reilly 1992).

The variety of P-O fit measures being studied is an indication of the construct's importance, yet these multiple conceptualizations of fit may compromise the measurement and understanding of the attribute. Recent reviews of the P-O fit literature (Kristof 1996; Ostroff 1993a) acknowledge the multiplicity of attributes and outcomes and the limited generalizable data resulting from the empirical research on the P-O fit relationship.

Worker-Firm Value Congruence

The relationship under investigation looks at P-O fit from the perspective of the worker's perceived congruence with the organization as a whole. While the literature recognizes the importance of worker-firm value congruence (Chatman 1989, 1991; O'Reilly et al. 1991), the measurement of this construct has proven difficult. In a review of the relevant P-O fit literature, no person-firm value congruence tool was found that possessed an acceptable alpha score of .70 or greater (Nunnally 1978). Research attempting to measure person-firm value congruence appears to be exhaustive in the study of individual attributes. Such studies include 54 items by O'Reilly et al., (1991), 34 items by Webster (1993), and 33 items by Schneider, Wheeler, and Cox (1992).

A large number of attributes studied appear to be unique to individual work settings. Some factors are organization-, work level-, or worker-specific (Patsfall and Feimer 1985; Reichers and Schneider 1990). Factors that are important to a firm, one level of workers, or a single employee may not be relevant to other firms, level of workers, or individuals in different environments. It is the position of this research that person-firm congruence is best studied in tightly defined work settings and that attempts to analyze this construct across broad ranges of workers may compromise the resulting data. The subject research addresses this concern by assessing worker-firm congruence relative only to a single work group, low-level service providers.

Low-Level Service Providers

The services marketing literature is clear about the significant effect customer contact personnel have upon firm sales in general and the individual customer's perception of service quality in particular (Bitner et al. 1994; Zeithaml et al. 1988). However, most research defines the service provider from an uni-dimensional perspective and suggests generalization across most segments of the service firm and service provider universe. The literature is often remiss in recognizing a critical hierarchical phenomenon within the services industry whereby low-level service encounter positions are many times assigned to people with minimal job preparation and work motivation.

Few P-O fit studies have emphasized this work group (e.g., Bettencourt and Brown 1997; Rogers, Clow, and Kash 1994; Rust et al. 1996). P-O fit field research has generally studied a mix of different work groups (e.g., Tsui et al. 1992) or workers that exhibit social and employment needs and job skills significantly different from the low level minimally skilled service provider, such as college students (e.g., Bretz and Judge 1994; O'Reilly and Chatman 1986), middle managers (e.g., Posner, Kouzes, and Schmidt 1985), manufacturing employees (e.g., Posner, Kouzes, and Schmidt 1985), and more highly trained and rewarded service providers such as educators (e.g., Ostroff 1993a), accountants (e.g., Chatman 1991), and financial service providers (e.g., Schneider, Wheeler, and Cox 1992).

Use of Difference Scores to Define P-O Fit

Comparing individual scores to the central group tendency, centering, is a common practice in P-O fit research which has recently been challenged as methodologically compromising (Edwards 1991; 1994; 1996). It is beyond the scope of this paper to analyze the challenge against difference scores, but the issues are perceived strong enough to warrant avoidance of this mathematical procedure. Thus, alternative forms of measure are needed.

Goal of This Research

The goal of this research, in the analysis of low-level service providers, was to develop a P-O fit tool that measures worker-firm value congruence without using difference scores.

Tool Design

Measuring the worker versus the group's central tendency, without using centered scoring, was accomplished through the utilization of a new research tool that allowed the worker to define their own perceptual differences from the group. A new single-measurement Likert scale was created, a data gathering device not previously observed in P-O fit research, that requires the subject to combine their perceptions of the firm and their own value perceptions into a single "fit" measurement. This device (Exhibit 1) thus avoids the production of two measurements (e.g., one for the worker's values and one for the perceived values of the firm).

Items for the worker-firm congruence tool were grounded in the research of Webster (1993) and Schneider et al. (1992). Webster, operating from interviews with both marketing managers and service providers, applied tool development procedures recommended in Churchill's (1979) paradigm to reduce an initial list of 49 items to a 34-item services culture tool. Her tool measures the worker's perception of what the service firm deems important from a marketing culture perspective and does not attempt to define worker values or the interrelatedness of the worker's values to the firm's values. Her tool was useful in defining items in the proposed research because it: (a) Is designed for service firms, (b) follows detailed development procedures and (c) has a large number of items.

Schneider et al. (1992) used content analysis to define several issues important to service employees. Identified from an initial list of 33 items were the following six important attributes: (a) Seeking customer input, (b) being responsive to customer input, (c) employee selection processes, (d) employee training, (e) fair performance appraisal practices, (f) pay equity, and (g) adequate internal processes to support the desired level of service delivery. Based on the initial research of Webster (1993) and Schneider et al., the statement and six items in Exhibit 2 were developed for this tool.

METHOD

Sample

To participate in this research the subjects had to meet the following criterion: (1) work for a firm that relies extensively upon low-level service providers as the primary organization representatives to customers, (2) spend at least half of their working time in direct contact with customers, and (3) work a minimum of 20 hours per week. A convenience sample of private-sector and public-sector firms were selected, including retail sales agents, health care providers, phone service agents, government counter clerks, and government transit service drivers. All employees within each firm selected that met the subject restrictions were asked to participate in the research.

Instrument, Survey Distribution, and Collection

A written self-administered quantitative survey was used. More than 75% of all surveys were distributed by mail to the business manager who then distributed the surveys to the service provider employees. The remaining surveys were distributed in person by the researchers directly to the service providers. All participants were given a postage paid reply envelope. Employees in four of the five groups utilized the envelope while the remaining firm allowed employees to place their completed survey in a secured 'drop' box that was then picked up by the researchers.

RESULTS OF RESEARCH

Across 23 firms in the five types of services this research generated an overall response rate of 58% (287 useable surveys out of 495 distributed).

Principle components analysis was used to initially determine if multiple items are correlated such that the six items can be treated as a single survey tool. A value of .70 or greater (Nunnally 1978) indicates internal consistency, allowing a single measure to represent the multiple-item tool. The six-item worker-firm value congruence tool had an alpha score of .75. Further analysis of combinations of four and five of the six items did not generate a higher alpha score.

It is beyond the scope of this brief conference paper to discuss the findings of the research beyond the development of the tool. In future articles the authors will discuss more fully the research results, which validated significant differences between the resulting data when coefficients of determination were calculated, based on centered and non-centered scores. The findings supported Edwards's (1991, 1994, 1996) concerns that difference scores may introduce methodological weaknesses that generate modified research outcomes.

CONCLUSIONS AND DISCUSSION

Within the tightly defined group of low-level service providers, the new six-item worker-firm value congruence tool proved to possess strong internal consistency ($= .75$). It is important to note that the six items were grounded in services research, but the final determination of items and wording also included subjective selection by the researchers. While content validity appears sound for the subjects, research replication and refinement is needed to provide empirical support for this assumption.

It is also possible that this tool, after Patsfall and Feimer (1985) and Reichers and Schneider (1990), is customized for this finite universe of low-level service workers and is not universal for other work groups or work settings. Future testing is called for to address tool generalizability. This is the first application of the new P-O fit measurement device and thus warrants extensive refinement and testing. Tool modifications based on discriminant and convergent validity and retesting modified tools with low-level service providers as well as workers at different levels of the firm and in different industries is essential before general use of this tool can be recommended. Variations worthy of testing might include: (1) Using a seven-point scale in place of the five-point scale, (2) rewording the survey tool, to determine if subjects clearly understand the comparisons they are making, (3) use of modified questions for replication with this subject group, and (4)

replication of this research with different groups of workers.

Exhibit 1

Worker-Firm Value Congruence Five-Point Likert Scale Tool

Much less valued by my firm than by me.	Slightly less valued by my firm than by me.	Equally valued by my firm and me.	Slightly more valued by my firm than by me.	Much more valued by my firm than by me.
1-----	2-----	3-----	4-----	5-----

Exhibit 2

Instructions and Items in Worker-Firm Value Congruence Tool

Please indicate your opinions regarding how much your organization values each issue relative to the value of the issue to you personally.

1. Paying attention to the opinions of the customers so that service improvements can be made.
2. Hiring the right employees to serve customers.
3. Providing training to employees.
4. Providing rewards (pay, benefits, other incentives) according to quality of employee service performance.
5. Delivering consistent high quality service to customers.
6. Making ethical, fair, and right decisions, even if such decisions may increase costs or take extra time and effort.

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AN EXPLORATORY INVESTIGATION OF RESPONSES TO SURVEY SCREENING QUESTIONS: THE IMPACT OF PLACEMENT AND FORMAT

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ABSTRACT

This paper presents data that examines questionnaire response bias that may occur when initial screening questions allow respondents to infer the purpose of the study. Some respondents may intentionally lie to “qualify” or “not qualify” based on their interpretation of the screening question(s), thereby compromising validity.

INTRODUCTION

Marketing researchers want all respondents to interpret survey questions similarly and have each item measure what it was intended to measure. To achieve these survey goals, researchers must be conscious of the content, wording, and sequencing of each questionnaire. When a researcher is successful in the questionnaire design phase, the probability of a valid outcome increases. Of particular interest to this research is the placement of “screening questions” at the beginning of a survey and the effect of those screening questions on survey validity.

To cost effectively screen a large number of respondents, it is not uncommon for a survey to open by boldly asking for a respondent’s income and age. Often, he is queried about his purchase intentions and whether he engages in specific behaviors. Such direct questioning may alert the respondent that the researchers only want to interview people who say “Yes” to the screeners. In this circumstance, some respondents may answer “No” as a way of politely terminating the interview, and this untruthful response compromises the validity of the research.

On a practical level, when respondents terminate an interview by answering screening questions incorrectly, it distorts resulting incidence rates. And, reporting inaccurate incidence rates would seriously impact the validity of market feasibility or other studies where universe estimates are calculated based on survey incidence levels.

LITERATURE REVIEW

The literature contains many articles that deal with threats to validity. Campbell and Stanley (1963) list a number of general threats to internal and external validity. Zikmund (1997) applies many of these concepts to marketing research situations and provides a general overview of the threats to validity that marketers are likely to encounter. Of particular relevance to this study is the concept of demand characteristics popularized by Orne (1969). The term “Demand Characteristic” refers to cues in the experimental situation that cause subjects to generate hypotheses about the purpose of an experiment. It is these hypotheses, rather than the experimental manipulation, that consequently impact the subject’s response.

The phenomenon where respondents use cues provided by the initial screening questions in deciding how to answer a screening question is similar to Orne’s demand characteristics and will be called Demand Artifact Bias (DAB). Demand artifact bias occurs when respondents use the content of initial screening questions to generate a hypothesis about the type of respondent the interviewer is looking for. If the respondent would prefer not to participate in the survey, he may give an answer that he believes will lead to disqualification. If he wants to participate, perhaps because he has strong opinions about the topic or he wants the monetary incentive that is being offered, he may provide an answer that he thinks will lead to being included in the study. (This is particularly true when using surveys to identify participants for a focus group.)

Unfortunately, marketers have given little attention to addressing DAB. Sawyer (1975) shed some general light on the issue when he investigated the relationship between quality and price and between repetition and attitude change. In looking at the effect of demand artifacts on repetition and attitude change studies, Sawyer described an experiment in which subjects were repeatedly exposed to neutral stimuli such as nonsense syllables. These syllables were then paired with products, and some pairs were repeated more frequently than others. At the end of the study, when subjects are asked to

choose a "prize" for participating, significantly more people chose the brand that had been paired with the most frequently repeated nonsense syllable.

More recently, Shimp, Hyatt & Snyder (1991) addressed the growing concern that marketers were having about demand artifacts. Although marketers weren't directly studying this phenomenon, they did mention DAB as an explanation for the outcomes of some experiments.

The role of DAB in surveys has been more thoroughly investigated by researchers dealing with "sensitive topics." Such topics might include AIDS, sexual behavior, homosexuality, drug use, spouse abuse, divorce, alcoholism, gambling, obscenity, health risks, gun control, politics, and mental health (Lee, 14). Lee believes that for these topics, researcher-respondent trust is critical and can affect validity. Unfortunately, in the typical marketing survey context, there is no way for a researcher to prove, in advance, that he is trustworthy, e.g., that no solicitation will occur after the survey information is gathered.

Although one normally doesn't consider marketing surveys to be as "sensitive" as the topics explored by Lee, certain subjects have become sensitive because telemarketing is often used to sell related products or services. For example, sales solicitations for aluminum siding and storm windows often begin by saying, "I'm taking a survey about energy conservation. Are you the owner of the house?" An affirmative response would result in a sales pitch, while a "No" typically ends the call.

Given the importance of DAB, it is surprising that marketers haven't given it more attention. In fact, only one article appears to directly address the issue by providing suggestions for minimizing DAB. Waters (1991) suggests that screening questions are an important part of marketing research studies. He notes that as people participate in more and more surveys, they become "educated" about the responses that will likely result in completing the entire survey as opposed to being terminated. In response, researchers must make it difficult for a participant to anticipate the outcome of his responses by disguising screening questions. This is most critical when respondents would receive a benefit from participating (e.g., a cash incentive) and would be motivated to be included in the study.

Waters' first technique involves using a dummy termination question after respondents fail the "real" screening question. This would disguise the true criteria for participation when potential participants could speak with one another (e.g. in a mall intercept survey). He suggests using a simple question such as: "How many children do you have at home?" When an incentive is involved, as an added measure of security, Waters tells researchers to change the dummy termination question from time to time.

When past participation in research, frequency of use, or frequency of purchase is used as a screener, researchers frequently offer too many cues. If a respondent is asked if he has purchased something in the past three months, it is clear that three months is a critical time period. Waters suggests that this type of screener should be asked in an open-ended format (e.g., "When was the last time you purchased that item?") to avoid offering clues. In addition, to ensure more accurate answers when dealing with frequency of purchase or use, Waters tells researchers to ask about several other goods or services in addition to the one being screened for (Waters, 30).

In summary, the literature suggests that DAB is a very real threat to validity. And, while some ways of minimizing it have been presented, there has been little or no research that attempts to quantify the effect of DAB. **This paper will examine the possible bias that may occur when the initial screening questions on a survey allow respondents to infer the purpose of the study, exploring how some respondents may use the inferred information when deciding whether or not to participate. In addition, this study will seek to identify whether people who do continue to participate in the survey may be somehow different from those who don't.**

METHOD

A split-sample, random-digit telephone survey was conducted with residents of a five-city metropolitan area whose population exceeds 1 million. Nine hundred phone numbers were randomly generated with every other phone number spooled off into a separate computer file to create two "matched" sample frames for the study.

The same survey questions were used with each sample. Respondents rated three of the five cities that comprise the MSA on an Excellent/Good/Fair/Poor scale. This was followed by a Yes/No question asking whether the respondent was proud to live in his/her city. Then, each respondent was asked which area city, if any, s/he would prefer to live in, followed by whether s/he is now or has recently considered moving. (In the directly worded survey, the question asking if the person had or is considering moving was presented first.) All other questions were asked in the same order, including the seven demographic profile items.

Both versions began with a very basic introduction, "Good evening. I'm ___ with Research Associates. We're doing a brief survey this evening." The "screening" question that was presented in two places (directly at the front or embedded later in the survey) was: **"Are you now or have you recently considered moving from the home or apartment you now live in?"**

Typically, when direct screeners are used, the interviewer would terminate the survey once a respondent didn't "qualify" for the study. In order to compare the demographic profiles of the two groups, respondents participating in both studies were asked a series of opinion questions and demographics.

Professional survey interviewers conducted the 369 interviews. No information pertaining to the purpose of the study was discussed during the briefing session. (Both surveys had been previously pre-tested with thirty respondents.) Each interviewer worked for one-half of the shift each day using the embedded format and sample and then switched to the direct format (and sample) for the remainder. The days and times were alternated.

RESULTS

The demographic characteristics of the survey participants and the results of the direct and embedded screening formats were compared. Of the eight characteristics analyzed (sex, city, race, age, marital status, education, income, and whether the person is planning to move) only one was significantly different between the two groups. About 35% of those respondents who were asked the "moving" question after the interviewer had a chance to establish rapport said that they were considering moving, while only 16.8% said "Yes" when the interviewer used the direct method of screening (see [Table 1](#)). Perhaps some those responding to the direct wording were assuming that a sales presentation would ensue.

Although the sample sizes were small, the demographic characteristics of those who said "Yes, I am considering/have recently considered moving" under the direct method and those who said "Yes" under the embedded method were compared. Of the seven demographic characteristics that were available for analysis, a comparison of the two survey formats found significant differences in ethnicity. The embedded question format resulted in a sample that was predominantly Caucasian (70.3%), while in the direct format, the sample was almost evenly split between white and non-white respondents (see [Table 2](#)).

CONCLUSION

Although exploratory, this study supports the notion that respondents do use initial, direct screening questions to generate hypotheses about the characteristics an interviewer is looking for. That is, demand artifact bias is a real phenomenon. Furthermore, it appears that some respondents use information they infer from screening questions as a polite way of refusing to participate in a survey. In this study, the difference in those responding "Yes" to the question about moving between the direct and embedded format was more than double (16.8% versus 34.6%).

The direct and embedded screening methods not only resulted in different incidence rates, but these data suggest that format differences may result in different participant profiles. In this study, the embedded format resulted in significantly more whites saying they would consider moving than with the direct format (70.3% versus 48.4%).

As one might imagine, any survey items that cause a variation in participants' demographic profiles can have a tremendous impact on the validity of research, particularly for feasibility and other studies where screening question results are used as predictors. Although not a statistically significant difference, the direct survey format resulted in over 2.5 times as many people in the \$80,000+ income category than the embedded format (2.9% versus 7.9%). In a retail feasibility study,

such results could mean the difference between profit and bankruptcy.

Other similar examples are found throughout these data. These results suggest that the marketing research industry would be wise to use more buffer questions and less obviously worded incidence measures. And, when screening questions must be placed early in a survey, they may need to be more carefully worded to avoid increasing DAB. While initially increasing the associated fieldwork costs, a properly worded and formatted survey will result in more accurate surveys and more projectable findings. The consequence of ignoring DAB would be a decline in the validity of surveys and reduced confidence in survey results... something the marketing research industry can't afford.

Clearly, more research on Demand Artifact Bias is needed. Marketers must create a body of literature addressing this critical issue. More studies are needed with larger sample sizes and covering a wide variety of topics. Hopefully, textbooks will soon include this important topic when discussing questionnaire design.

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TABLE 1

Are you now or have you recently considered moving from the home or apartment you now live in?

	Embedded format	Direct format
Yes	34.6%	16.8%
No	65.4%	83.2%
	100.0%	100.0%
	(n=185)	(n=184)

Chi-Square significance level = .00

TABLE 2

(Of those who had considered moving...) Ethnic Background

	Embedded format	Direct format
White	70.3%	48.4%
Non-white*	29.7%	51.6%
	100.0%	100.0%
	(n=64)	(n=31)

Chi-Square significance level = .04

*Three categories were combined so there would be adequate cases for analysis.

A COMPARISON OF ALTERNATIVE APPROACHES FOR CLUSTER-BASED BUYER SEGMENTATION IN OPTIMAL PRODUCT POSITIONING MODELS

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ABSTRACT

Using three large-scale industry-based data sets, alternative approaches to buyer segmentation were compared in the context of conjoint-based optimal positioning models across different functions of part-worth, optimal variable weights and initial seed points. Two separate criterion measures were employed for the evaluation of various segmentation schemes: (1) stability and (2) financial consequence (i.e., return) of resulting buyer segments. Implications of the results were also discussed.

INTRODUCTION

Since Wendell Smith's pioneering article (1956), market segmentation has become a very important concept in marketing literature and practice. In Yoram Wind's *Journal of Marketing Research* review paper (Wind 1979), he described two principle segmentation strategies that characterize most industry based market segmentation: (1) A priori segmentation, where managers first choose a segmentation base, e.g., current brand selection, sensitivity to price, and so on. They then see whether this *a priori* partitioning of the market can be usefully described in terms of various consumer background variables and (2) Cluster-based (post hoc) segmentation, where consumers are first clustered on the basis of some preselected battery of variables (e.g., benefits sought, psychographics, and so on). This *post hoc* partitioning is then examined to see if the clusters are associated with still other variables, such as demographics or brand choice.

Post hoc segmentation is being increasingly applied to part-worth data in conjoint analysis. Both developers of commercial conjoint packages (Herman 1988; Johnson 1987) and academics (Kamakura 1988) recommend that researchers consider segmenting buyers on the basis of their part-worth commonalities, followed by a separate product simulation within each segment.

Despite all the interest in cluster based segmentation of part-worth, we are not aware of any studies that have systematically examined the effect of such characteristics as cluster algorithm, variable weighting, part-worth function, etc. on the resulting segmentations. The objective of our study is to examine how these characteristics affect some evaluation criteria of the resulting segmentations in the context of conjoint optimal design models (SIMOPT; Green and Krieger 1990)..

DESIGN OF THE EXPERIMENT

To the best of our knowledge, no researcher has examined, in detail, buyer segmentation scheme that starts with attribute part-worths as its initial focus. If *post hoc* segmentation is applied to conjoint part-worths, a number of research questions arise such as: (1) What function of part-worths should be used? (2) What clustering program should be applied? (3) Should the variables be differentially weighted? (4) How many clusters should be obtained? (5) How can cluster reliability be handled? (6) How can the various cluster solutions be compared?

Functions of Part-Worths

While it is generally agreed that the part-worths provide the basic building block for post hoc segmentation, the researcher is still faced with a decision regarding what function of these part-worths is most attractive. Options include:

1. The part-worths themselves (these are typically row centered before clustering)
2. Part-worths that are translated and stretched to range between zero and one (normalized)
3. Derived attribute importances (relative attribute level ranges). Since they sum to 1.0, they are already row centered

4. A vector of ideal (more preferred) levels. The resulting individuals-by-ideal levels matrix is then analyzed by multiple correspondence analysis to get coordinate representations of the individuals, which are then row clustered
5. Part-worths that are converted to product utilities (e. g. , by the of DESOP program (Green and Krieger 1987a, b). This matrix of “good product” utilities (after row centering) is then clustered.

Most researchers use only options 1 or 3 in actual business applications. We plan to compare these popular options both with themselves and to other (less well-known) alternatives.

Clustering Programs

In marketing research the Howard-Harris k-means program (Howard and Harris 1966) is probably the most widely applied program for market segmentation. The CONCLUS program (Helsen and Green 1991) is a newer contender to the k-means scene. It features the idea of replicated clustering in order to obtain the “best” clustering found across alternative seed point selections.

Optimal Variable Weighting

Both Howard-Harris and CONCLUS permit differential weighting of the variables. Recently, Kim and Green (1993) have considered the performance of a type of k-means clustering that differentially weights variables according to a specific objective function (see DeSarbo, Carroll, Clark and Green 1984). We use a program called SYNREP that solves only for the differential variable weights, using a replicated procedure. The “best” set of weights obtained from SYNREP will then be contrasted to the “control” case of equal variable weighting.

Number of Clusters

Determining the appropriate number of clusters is, at best, a judgmental procedure. Accordingly, we initially try different number of clusters and then choose the number that is most stable across alternative seed point selection and cluster algorithms. For ease of comparability, once the appropriate number of clusters is found, the same number will be used across all experimental combinations.

Performance Measures

The experiment has been designed to focus on two performance measures. First, the adjusted Rand measure (Hubert and Arabie 1985) will be used across split halves within data set to determine the contribution of each experimental variable to cluster stability. Second, in line with Figure 1 we use the SIMOPT optimal product design program to compare each segmentation in terms of cumulative contribution to overhead and profit for the firm in question. Thus, we will be able to compare each segmentation from the standpoint of the firm’s welfare, if new products are designed for each segment and allowed to compete with each other and the firm’s competitors. We do allow free competition (i.e., no wall-up approach) across all competitive products. Finally, all of the *post hoc* approaches will be compared to the induced segmentation found from the sequential (stepwise) segmentation approach.

Empirical Data Sets

Three large-scale, industry-level part-worth data sets were available for our study dealing with (1) the design of retail outlets for automobiles; (2) the design of a new computer; and (3) the design of a new credit card. Each of the data banks is based on several hundred respondents. The number of attributes varies from 12 to 16 and the level of attributes from 2 to 8. The number of competitive suppliers ranges from 4 to 5.

SPECIFIC DESIGN PARAMETERS

Experimental Setup for Cluster Reliability

Using the adjusted Rand index as a criterion measure of cluster reliability, the following experimental factors were employed.

1. Data sets: 1; 2; 3
2. Clustering Programs: Howard-Harris; CONCLUS
3. Part-worth Functions: Part-worths; Normalized Part-worths; Derived Attribute Importances; Ideal Levels; Product Utilities (variable number obtained from the Greedy option of DESOP (Green and Krieger 1987a, b); Product Utilities (48 product)
4. Variable Weighting: Equal; Optimal (from SYNREP)
5. Random Subsamples: 1; 2

Within the part-worths function factor, two different numbers of product utilities were examined. One set consisted of the utilities of 48 products obtained from the DESOP program using three different heuristic (the modified greedy, best-in, and divide and conquer). The second set consists of 4, 6, and 7 product utilities (for data sets 1, 2, and 3, respectively) obtained using only the modified greedy heuristic.

A full factorial design of 144 combinations was first generated. To compute the adjusted Rand indexes as cluster reliability measures, we then cross-validated the clustering results (McIntyre and Blashfield 1980).

Experimental Setup for Cumulative Contribution

1. Data sets: 1; 2; 3
2. Clustering programs: Howard-Harris ; CONCLUS
3. Part-worth Functions: Part-worths; Normalized Part-worths; Derived Importance; Ideal Levels; Products Utilities (Greedy); Product Utilities (48 Products)
4. Variable Weighting: Equal; Optimal

A full factorial design with 72 trials was first generated. As before, two different number of product utilities were used. Once we obtained clustering results in each of the 72 trials, we used the SIMOPT optimal product positioning model to find an optimal product profile in each segment. The program also calculated the overall contribution for the firm in question.

RESULTS OF THE EXPERIMENT

Determination of the Number of Clusters

Preliminary analyses of data set using the Howard-Harris and CONCLUS programs suggest that there are 2, 3, and 2 clusters in the auto retailer, computer characteristics, and credit card data set, respectively. We kept these numbers of clusters for all subsequent analyses.

Cluster Reliability

Table 1 shows the results of the cross-validation analysis of the three data sets. In data set 1, both part-worth function and variable weighing are significant ($p < .01$). The original part-worths lead to the most stable clustering results, followed by the ideal levels. Equal variable weights produce more reliable clustering results than optimal variable weights. In data set 2, both part-worth function and variable weightings are also significant ($p < .01$). Ideal levels of attributes lead to the most stable clustering results followed by the normalized part-worths. In data set 3, all of the experimental factors are significant at $p = .01$ level. In terms of the part-worth function, the product utilities obtained using only the modified greedy heuristic lead to the most stable clustering results. Unlike data sets 1 and 2, CONCLUS produced more reliable

clustering results than Howard-Harris (.61 vs. .43) in data set 3.

The results from our experiment show that cluster reliability based on part-worth functions depends on the particular data set to be clustered (although the ideal levels approach appears to provide consistently good results). Across the three data sets, we note a consistent finding that equal variable weights lead to more reliable clustering results than optimal variable weights, as determined by SYNREP (Green, Carmone and Kim 1990)..

Cumulative Contribution to Overhead/Profit

The three data sets were analyzed separately insofar as contribution to overhead/profit. Tables 9, 10, and 11 summarize the ANOVA results for data sets 1, 2, and 3, respectively. Only the part-worth function is significant ($p < .01$) in all of the three data sets. In data sets 1 and 3, virtually identical results were obtained: the ideal levels lead to the highest return for the firm in question, followed by the derived importance weights. In data set 2, product utilities (of 48 products) lead to the highest return followed by the product utilities obtained from the modified greedy only. Results from data set 2 should be interpreted with considerable caution, however, since there is very low variability in the return measures associated with the different part-worth functions (the coefficient of variation for data set 2 is only .07 compared to .17 and .60 for data sets 1 and 3, respectively).

The results from the experiment suggest that a segmentation based on buyers' ideal points leads to the highest return to the supplier in question followed by the derived attribute importances. We note that product utilities obtained using only the modified greedy and those obtained using three different heuristic lead to exactly the same optimal product profiles in all three data sets.

Stepwise Segmentation

Table 3 summarizes optimal products' cumulative return for the three data sets obtained via stepwise segmentation. Incremental return in all of the three data sets also suggests that there are 2, 3, and 2 segments in data sets 1, 2, and 3, respectively. In all of the three data sets, stepwise segmentation leads to a somewhat higher profit return than the best of the part-worth based segmentations.

DIRECTIONS FOR FUTURE RESEARCH

There are a number of additional studies and research directions that have grown out of this research. A somewhat unexpected finding from the experiment is that ideal-level function of part-worths provides generally good results in both statistically-based clustering and financially-based segmentation. More research is needed on the conditions under which this approach is superior to both the original part-worths and the derived attribute importances (the currently popular bases for segmentation). Is the ideal levels approach less susceptible to noisy data and differential variable importances? A combination of Monte Carlo simulation of synthetic data sets and empirical analysis is needed in future research.

In the CONCLUS program used in this study, split-half reliability, as measured by the adjusted Rand coefficient, was used employing the nearest centroid assignment rule (suggested by McIntyre and Blashfield 1980). An alternative procedure would be to use nearest neighbor as a basis for assigning split halves. Again, Monte Carlo and real data experiments could be carried out.

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Table 1
The Mean Adjusted Rand Index

	Auto Retailer	Computer	Credit Card
Part-Worth Functions			
Original Part-Worths	0.97	0.43	0.52
Normalized Part-Worths	0.74	0.59	0.21
Derived Importance Weights	0.57	0.35	0.27
Ideal Points	0.83	0.69	0.62
Product Utilities (Greedy)	0.76	0.56	0.81
Product Utilities (48 products)	0.80	0.23	0.71
Clustering Methods			
Howard-Harris	0.79	0.50	0.43
CONCLUS	0.77	0.45	0.61
Variable Weighting			
Equal Weights	0.87	0.55	0.65
Optimal Weights	0.69	0.40	0.40
Total	0.78	0.47	0.52

Table 2
The Mean Return

	Auto Retailer	Computer	Credit Card
Part-Worth Functions			
Original Part-Worths	637.55	1348.84	24.89
Normalized Part-Worths	706.44	1449.39	25.38
Derived Importance Weights	652.05	1407.39	26.01
Ideal Points	710.34	1446.75	27.01
Product Utilities (Greedy)	603.57	1451.46	17.37
Product Utilities (48 products)	609.95	1494.90	22.84
Clustering Methods			
Howard-Harris	655.34	1451.51	24.26
CONCLUS	651.30	1444.07	23.58
Variable Weighting			
Equal Weights	642.97	1450.29	22.91
Optimal Weights	663.66	1445.29	24.92
Total	653.32	1447.79	23.92

Table 3
Cumulative Return from Optimal Products in Stepwise Segmentation

	Auto Retailer		Computer		Credit Card	
	Cumulative Return	First Diff.	Cumulative Return	First Diff.	Cumulative Return	First Diff.
Firm of Interest	688.55		1241.39		18.19	
Addition 1	745.26	57.70	1416.25	184.86	27.70	9.51
Addition 2	765.15	19.89	1525.22	108.97	33.67	5.97
Addition 3	782.94	17.79	1601.64	76.42	36.73	3.06
Addition 4	787.43	4.49	1666.75	65.11	40.40	3.67

PREDICTING RESPONSE INDUCER EFFECTS IN ORGANISATIONAL RESPONDENTS

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ABSTRACT

Theories of response behaviour imply an understanding of the target population which has hitherto been largely ignored by practitioners. Evidence suggests that response rates vary widely across industries (Mitchell & Critchlow, 1993; Tomaskovic-Devey et al., 1994) and there is a remarkable variation in the response increases documented for similar response inducers (Duncan, 1979; Houston & Ford, 1976; Kanuk & Berenson, 1975; Linksy, 1975; Harvey, 1987; Goyder, 1982; Heberlein & Baumgartner, 1978; Yu & Cooper, 1983; Fox, Crask & Kim, 1988; Yammarino, Skinner & Childers, 1991). For example, social-utility appeals are more effective with consumers (Jones & Linda, 1978), whilst ego appeals are more effective with sales people (Tyagi, 1989). The increasing evidence suggests that to achieve maximum response to mail surveys response inducers need to be tailored to specific populations. Current response theories and frameworks have advanced our understanding and knowledge, but their links to documented and proven changes in survey methodology are weak. Gaining information about a population's attitudes and feelings towards these constructs is not easy to achieve, and even if achievable, the problem of deciding how these attitudes precisely affect response behaviour in general, and response to specific techniques in particular, still exists. What is required is a method of identifying which response inducers will work best within a given population. The difficult, time-consuming and costly nature of experimental investigations of each response inducer's effect prompted a search for a less costly method of adapting methodologies in the form of using attitudinal data used in conjunction with experimental results. Apart from time and cost savings, attitude measurement allows assessment of response influencers which are difficult to vary experimentally, e.g. the mood of the respondent and whether the survey arrives at a busy time. A predictive attitudinal behavioural formula of response behaviour which covered 27 response inducement techniques was developed and tested.

All faculty members in most of the university departments within a UK university were sent a questionnaire which asked them about their attitudes towards 27 response-inducement techniques, e.g. pre-notification letter (N=1293). A total of 581 responses were received which represents a 47% response rate. Pre-notification and follow-up techniques were chosen to generate the experimental results using 2 x 2 multiple comparison design, which included a control group who received neither pre-notification nor follow-up. The experimental results showed letter pre-notification to decrease response rate by 4.9% compared with the control group, whilst the follow-up letter showed an increase of 4.9%. By multiplying the attitude score for each response influencer by this value, we obtain the predicted response rate change from its basic value without using any response inducers.

The empirical results tell us two things. Firstly, about the attitudes of an academic population towards response inducers. The four most positive were: the questionnaire has a covering letter which explains its purpose; the information requested is easily accessible; the survey is under four pages and the survey is sponsored by an organisation of which you are a member. Secondly, the proposed attitudinal-behavioural response-rate-change model is shown to be a useful technique when researchers suspect a population may respond differently to traditional response inducers. To achieve maximum adoption in practice, the newly-devised method is easily understood, straightforward to implement and useable by even inexperienced researchers. The method becomes more attractive with economies of scale, i.e. when repeated surveys of the same population are required, e.g. market research agencies involved in tracking studies, government departments conducting regular, large-scale surveys of businesses and consumers as well as companies carrying out periodic customer and employee surveys. Moreover, the method could also be used in consumer populations.

WHY ARE COUNTERFEITS SO ATTRACTIVE TO CONSUMERS? AN EMPIRICAL ANALYSIS

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ABSTRACT

Brand piracy and counterfeiting have emerged as major problems for global firms. Despite increasing efforts to improve mechanisms for the international enforcement of intellectual property rights, neither companies nor governments in industrialized countries appear able to curb the increasing supply and demand for counterfeits. Estimates suggest that the value of counterfeit goods in the world market has grown by 1100% since 1984, and a decline is not in sight.

Producing counterfeit goods offers strong financial incentives - in particular for companies in newly industrialized and emerging countries - since almost no investments in brand name recognition and R&D are required. Products which carry a high brand image and are relatively easy to copy, such as watches, toys, textiles or software, head the list of goods produced by counterfeiters. The large profits gained from counterfeiting are at the expense of legitimate marketers, workers and, arguably, consumers. However, the flourishing production of fake products is permanently fueled by consumers deliberately buying them due to their excellent "price/performance" ratio. Buying a fake Polo shirt or counterfeit Ray Ban glasses from a street vendor is not perceived to be unethical, but simply viewed as a nice bargain. The unbroken trend towards manufacturing and purchasing counterfeits underlines the failure of conventional supply side measures, such as diplomatic pressure, legal actions or technological devices to deal with these issues.

From a philosophical perspective, the voluntary purchase of counterfeits can be compared with typical business ethics dilemmas like bribery. To bribe someone, or to buy a counterfeit good, might be advantageous in achieving the immediate self-interest of an individual manager or consumer. However, the behavior is harmful to others, e.g., holders of brand copyrights and factory workers in legitimate operations. Looking at the variables that influence the attitudes and behavior towards ethical issues in general and fake products in particular, several influences appear relevant. Research on ethical dilemmas clearly point out that demographic, socio-economic and psychographic characteristics of prospective buyers as well as their cultural background play an important role. Ethical education and religious predisposition are also likely to impact on consumers' attitudes towards the purchase of counterfeits.

In a questionnaire survey, it was attempted to capture attitudes, the purchase intent for counterfeit goods at different price levels and the knowledge pertaining to the legality of producing counterfeits. Altogether, 230 respondents participated in the survey. The analyses indicate that consumers largely view the purchase of counterfeits as an ethically acceptable behavior which results in a personal economic victory over large multinationals. In contrast, potentially detrimental effects of counterfeiting, such as child labor, reduced R&D budgets or the embarrassment potential of fake products rank only second. Even exposure to anti-counterfeit advertising does not appear affect attitudes toward counterfeits.

With regard to actual purchase intent, the willingness to buy counterfeits increases in line with the price advantage offered in comparison to the genuine product. However, at very high discount levels, a slight decline in purchase intent was observed, possibly due to the fact that an extremely high price difference is signaling bad product quality. Moreover, purchase intent is also influenced by the embarrassment potential of counterfeit goods. Thus, the higher the perceived embarrassment potential of a counterfeit purchase, the lower the purchase intent. At a very high price discount level, purchase intent is also negatively affected by a concern for child labor. As far as attitudes are concerned, the findings indicate the importance of the respondents' backgrounds. While people from economically less developed countries see mainly their personal benefits (low price), respondents from highly developed countries tend to show higher awareness of the detrimental consequences of counterfeiting. In addition, gender, formal ethics instructions and religiousness influence attitudes towards counterfeits.

From a managerial perspective, companies are advised to intensify their efforts to develop technologies that make it more difficult to manufacture well made replicates of their products. Given the embarrassment potential of counterfeits, consumers are less likely to buy counterfeits which can easily be recognized as such. However, as far as consumers from

developed countries are concerned, the managerial challenge lies in converting their awareness of the detrimental consequences of counterfeiting into actual purchase behavior, i.e. to convince these consumers to select the genuine products.

COUNTRY-OF-ORIGIN AND BRAND NAME CONNOTATION: A PRELIMINARY CONCEPTUALIZATION AND RESEARCH HYPOTHESES

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INTRODUCTION

Marketers around the world are aware of the importance of a well thought out brand name for their products. Brand names can act as discriminative stimuli, thereby conveying information about product quality, and associated product consequences. But can a brand name bearing connotations to a foreign country influence people's perceptions of the brand? Consider Haagen-Dazs ice-cream. In the late 1950's, European products were considered to be of high quality. Reuben Mattus, the founder of Haagen-Dazs, came up with this name as he believed that a European sounding name would connote high quality. Although the Haagen Dazs ice-cream was priced high due to its positioning as a premium brand, it caught the public's eye to a great extent due to its European sounding name, and the associated meanings of "European quality" (Ullmann 1993). There are several other examples of brand names bearing associations to a foreign country such as Evian mineral water, Armani clothing, and Mercedes Benz cars.

Considering the above discussion, it seems important and relevant to empirically investigate whether a brand name implying association to a foreign country can, by itself affect people's perceptions, beliefs, attitudes, and buying intentions towards the brand, or does information about the country of manufacture have to be specified as well? Further, does it work only for specific products associated with a particular country, or does it work across product categories? Finally, while the extensive country-of-origin literature in marketing focuses on explicit information on country of manufacture, it seems to ignore the influence of implicit country information that may be present in the brand name. This paper presents a conceptual discussion relating to these questions, and proposes a procedure for answering these questions.

LITERATURE REVIEW AND THE PROBLEM

There is extensive literature related to country-of-origin effects on product evaluation. While the extensive country of origin literature indicates that the country image does influence product perception and evaluation, there has been relatively little work (e.g., Han and Terpstra 1988) on the effect of both country image and brand name upon product evaluation. This aspect gains increasing relevance, considering that most products are often not *completely* made in a single country. Bi-national production is becoming increasingly popular with the advent of trading blocks such as the NAFTA and the EC.

Based upon past research, three issues were highlighted. The first issue relates to an investigation into whether country association (through brand name) affects product evaluations. The second issue pertains to whether brand name association can have an effect on product evaluations over and above the effect of country of manufacture? The third issue concerns whether influence of brand name association upon brand evaluation differs across different product categories. Based upon past research findings and the objective of this paper, three hypotheses were proposed:

- H₁: For the same product category, a brand name associated with a country for which the product category is salient will lead to higher brand evaluations, than other brand names.
- H₂: Brand evaluation will be higher for a product category associated with the country (as indicated by the brand name), than for other product categories.
- H₃: In general, within each product category, perceptions for each brand will be highest when brand name association refers to a country which is presented as the country of origin for which the product category is salient.

METHODOLOGY

Experimental Design:

The above hypotheses would be evaluated using a 3 X 3 X 3 factorial design. Three factors will be brand name, country of manufacture, and product category. Each brand name would bear associations to a country. The three countries

used in the design would include Germany, Japan, and the United States. Each of the three products selected would be associated with one of the three countries in the design. This would allow for studying the effect of brand name association within product category, and across product categories. The three products selected would be beer (associated with Germany), VCR (associated with Japan), and Jeans (associated with the United States). These products have been used in several country of origin studies in the past. Moreover, the choice of these three product categories reflects different levels of product category involvement and technological complexity.

Pretest to Select Brand Name Manipulations:

Prior to the actual experiment, focus group interviews would be conducted with six people to generate brand names in the three languages. The interview moderator would make sure each English brand name is matched with counterparts in German and Japanese. Fifteen such "sets" of brand names (a "set" referring to one English name and its corresponding Japanese and German names) would be generated at this stage. The next step would involve a survey aimed at narrowing down the 45 brand names to nine that will be used in the final study. 100 respondents would be asked to rate the 45 brand names on a scale of 1 to 7 in terms of orthographic distinctiveness (Zechmeister 1969) and pronounceability (Spreen and Schulz 1966). The "set" of nine brand names finally selected would be orthographically similar, and would be very similar in terms of pronounceability. This would ensure that in the final study, the brands do not differ in terms of these two dimensions, so that differences could be attributable to the country association present in the brand name.

Analysis Procedures:

During the pretest stage, the large sample z-test would be used to compare mean levels of pronounceability and orthographic distinctiveness for each brand name generated in the preliminary stage. The results of the main study would be analyzed using analysis of covariance (MANCOVA and ANCOVA). Realizing that consumers evaluate a product based upon several relevant cues, it would be necessary to provide information about other relevant cues such as price, product ratings in consumer reports, etc., in addition to the brand name and the country of manufacture. These additional cues will be treated as covariates in the analyses.

CONCLUSIONS AND IMPLICATIONS

Increasing competition in a dynamic marketplace is leading many corporations to consider overseas production and distribution. This increasing internationalization makes it imperative for consumer researchers to understand whether there is any impact of different types of cues that indicate the product's country of origin on product perception and evaluation. If there is an impact, then what is the nature of this impact? This paper is a preliminary attempt to propose a way to answer this research question. The next step would be to undertake an empirical investigation into the effect of brand name connotation (to a certain country) upon product perception. Such an investigation would have implications for marketing practitioners operating in an increasingly global marketplace.

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SITUATIONAL FACTORS IN SEASONAL PATTERNS OF SHOPPING IN CYPRUS: ABSTRACT

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INTRODUCTION

This study represents one of an on-going series of projects that focus on shopping in different countries around the world. This Cyprus study follows other completed projects in Chile, Granada, India, Trinidad, and the United States. These studies collect data in a similar format to facilitate cross-cultural comparisons. The factors studied in Cyprus were the demographic attributes, purchase-specific behaviors, and situational variables of market shoppers in Nicosia. A distinctive feature of this research was that it explored differences in seasonal patterns of Cypriot shopping. This abstract covers the method used in the survey research and the main results.

METHODOLOGY

Turkish-speaking interviewers were stationed at specific points around the market to interview shoppers at the conclusion of their visit. Respondents answered three demographic questions: age, education, and income; gender was reported by interviewer observation. Purchase-specific behaviors included purchase of food or beverage, purchase of clothing or other products, number of stores/stalls entered, and the amount of money spent. Situational variables included the frequency of market visit, day-part of the trip, travel time to the site, and time spent in the market. Shoppers representing the winter season were interviewed early in the year; those representing the summer season were interviewed at mid-year.

Surveys were conducted in a market in Nicosia, Cyprus. Shoppers were questioned as they concluded their shopping. The interviewing was spread across the hours the market was open during the week. For the winter survey, conducted in February, a total of 101 adults were interviewed; for the summer survey, conducted in August, 200 adults were questioned. The Nicosia market is an ancient one, with origins that stretch back hundreds of years. It is a large one, carrying a wide selection of products, and popular with the Turkish residents of Cyprus.

RESULTS

Seasonal Differences in Purchases

Significantly higher proportions of summer shoppers purchased food or beverage than the winter shoppers (61.0% versus 36.6%, $p=.001$); similarly significantly higher proportions of summer shoppers spent Turkish lira TL5,000,000 or more (about US\$28) 26.0% versus 15.8%, $p=.047$. However, a higher proportion of winter shoppers purchased women's and men's clothing than the summer shoppers (28.7% versus 17.0%, $p=.018$) and visited two or fewer stores/stalls (47.5% versus 33.5%, $p=.018$).

Seasonal Differences in Demographics

There were considerable demographic differences between the two samples, with four of the five demographic attributes exhibiting statistically significant differences. There were larger proportions, summer versus winter, of younger people (22.5% versus 8.9%, $p=.004$), with higher education (84.5% versus 74.3%, $p=.032$), with higher household incomes (57.5% versus 36.3%, $p=.001$), traveling by car, bus, or taxi (78.0% versus 67.3%, $p=.045$).

Seasonal Differences in Situations

Two of the situational dimensions, "early shoppers" and "slow shoppers" showed statistically significant differences for winter versus summer. However these were reversed with a higher proportion of summer shoppers (68.0%) shopping before 12:00 noon compared to the winter ones (45.5%), $p=.001$. However, there was a significantly greater proportion of slow shoppers in the winter (33.7%) than in the summer (15.0%), $p=.001$. Although there was a higher proportion of

price/value patrons in the winter (17.8%) than the summer (10.5%), this difference was not statistically significant. There was a higher proportion of near shoppers in the winter (62.4%) versus the summer (50.5%), $p=.051$.

MARKETING IMPLICATIONS

There was a significantly greater proportion of early shoppers in the summer than in the winter. This result makes sense because people may wish to shop before the weather gets too hot in the summer season. Global managers will need to decide whether they wish to encourage more early shopping or more shopping later in the day. In either case, international marketers can use discount coupons geared to the time of day. The time of day shopped was significantly associated with the purchase of food or beverage in the winter, not in the summer. People may need more sustenance in the colder weather. If global merchants are selling food or beverage, they can take advantage of this knowledge, e.g., seasonal variation and promotion. The fact that time of day was significantly associated with the purchase of women's and men's clothing in the summer, not in the winter, is a reversal of the result for food or beverage. After all, clothing associated with the summer season is rather different to the attire needed for the colder winter and spring weather.

Half the summer shoppers and three-fifths of the winter shoppers took under 30 minutes to reach the market. Perhaps people were reflecting a world-wide tendency to shop closer to home than further away. This suggests that patronage emanated from areas adjacent to the market; these can be readily reached through localized media efforts. A higher proportion of shoppers who spent a longer time getting to the market spent more money than those who took a shorter time to reach the market, regardless of whether their patronage was winter or summer. A considerably smaller proportion of the summer shoppers stayed in the market two hours or more than the winter shoppers. The more time spent in a shopping location implies a higher likelihood of a patron making a purchase. So, global merchants need to hold shoppers in the market for a longer period of time. This can be accomplished by providing more entertainment and eye catching promotions in and around the stores.

The analysis presented in this paper indicates that situational factors were associated with purchase behaviors of shoppers in both winter and summer but in different ways. What is encouraging to global merchants is that knowledge of situational variables enables them to be proactive, rather than reactive, in their international marketing initiatives.

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ADVERTISER-AGENCY RELATIONS: A REVIEW AND SYNTHESIS OF RESEARCH

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ABSTRACT

The relationship between marketing enterprises and their advertising agencies is one of the most important associations in marketing. However, despite the importance of this association, and its significant role in marketing management, surprisingly little scholarly attention has been focused on issues pertaining to this relationship. This paper reviews the available academic literature on advertising-agency relationships, and attempts to provide a framework to organize research issues, and provides directions for future research.

The relationship between an advertiser and its advertising agency may be classified as a supplier partnership between the buyer (advertiser), and its services supplier (the agency). The precursor to the establishment of a buyer-seller relationship in the business-to-business sector is the stage of search and selection. In the literature reviewed, this stage of the relationship has been described as the 'prerelationship' stage of the advertiser-agency life cycle. The literature suggests that the need for undertaking a search for an advertising agency results often from structural changes within the advertiser, including realignment of brands in the aftermath of a merger/acquisition, dissatisfaction with the incumbent agency, and interestingly, as a signal to investors with the aim of increasing the market value of the advertiser firm. The most quoted reasons for appointment of a particular agency were found to be the agency's knowledge, experience or expertise in the client's area, followed by the agency's creative record. Other reasons include organizational and relational factors such as past experience with agency personnel, professionalism shown by the agency, the reputation of the agency, and logistical reasons pertaining to the size and location of the agency. Studies have also revealed a convergence between advertisers and agencies on several of the factors considered important.

Development of the advertiser-agency relationship follows the appointment of the agency, as the parties build a working relationship and proceed with the advertising campaigns. Studies on the maintenance phase of the advertiser-agency relationship have addressed several issues, with a focus on determining the causes and criteria for satisfactory relationships. Four groups of variables -- *work product*, *work pattern*, *organizational factors*, and *relationship factors*, have been identified as being important for the maintenance of the relationship. Several studies have probed the nature of problems within the relationship, with a view to isolating and explaining the factors where preemptive action may serve the agency to maintain good client relations. Researchers have also sought to identify the root causes and situations that eventually lead to the dissolution/termination of the relationship. These studies have identified factors perceived important by agency and client personnel, and found divergence between the lists. Other studies have studied and found influence of factors such as organizational compatibility and sizes of the respective organizations on the termination decision.

The research on advertiser-agency relationships can be described as largely being inductive in approach. Only in a few recent studies has there been an attempt at theory building that bases itself on hypotheses well-grounded in existing theory. Thus, much of the existing research can be considered exploratory, with a focus on discovery. The literature has been somewhat limited by focusing on a limited set of issues i.e., identification of success/failure factors in relationships, without much attempt to expand along the chain of causality and probe deeper into the causes of these success/failure factors.

The advertiser-agency relationship needs to be considered in the broader context of inter-firm relationships, which have been the subject of considerable inquiry in streams such as channels management, industrial buying, strategic alliances, and agency theory. Researchers may find it worthwhile to utilize theory from these streams as underpinnings for studying issues in the advertiser-agency relationship. Also, consideration of the internal politics and organizational dynamics influencing the relationship would benefit from the extensive literature on organizational dynamics. It is recommended that researchers draw upon the established research in these fields, and move to a confirmatory phase in investigating the advertiser-agency relationship, which, given the limitations of the of the existing research, appears to be a potentially fruitful area of inquiry.

SEX IN ADVERTISING: WHO DISLIKES IT AND WHY?

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ABSTRACT

The use of sex in advertising continues unabated, public outcry against it notwithstanding. Although some sex in ads might sell, as advertisers obviously believe to be the case, the questions are, how much sex is too much, and what kind of consumer would like sexual content in advertisements? This research examines these two questions, with consumer data from a study where consumers were shown an ad with either low or high sexual content. Results show that while the ad with high sexual content was uniformly judged to be ethically more unjust (compared to ads with low sexual content), the adverse effect on attitude toward the ad is not obtained for all consumers. Our results show that it depends on the sexual liberalism of the audience and on whether or not the use of sex is considered manipulative. Our research suggests that advertising professionals should assess sexual liberalism of their target audience and use sex only within the requisites of the communication task.

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EXPLORATORY FINDINGS ON THE ATTITUDINAL EFFECTS OF SUPER- AND POOR-LEVELS OF DIRECT CONSUMER PREMIUM DESIRABILITY

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ABSTRACT

Direct consumer premiums are one of the fastest growing and most important elements in the consumer sales promotion mix of U.S. packaged goods manufacturers (Blattberg and Neslin 1990; Shimp 1997). Direct consumer premiums are the most frequently used form of “nonmonetary” consumer sales promotion (Belch and Belch 1995). By definition, direct consumer premiums are package-related, free bonus items offered by manufacturers to consumers when they pay full price for a promoted product. Consumers receive direct consumer premiums as with- or near-pack incentives at the time of purchase. Strategically, direct consumer premiums are used to help introduce new products, to dislodge entrenched market leaders, and to generate higher consumer inventories of promoted products.

Despite the importance of direct consumer premiums, there has been little progress in understanding what attitudinal effects they have in different time periods. Related research primarily deals with “monetary” consumer sales promotions (e.g., price-off coupon offers) and the behavioral effects of brand switching, purchase acceleration, and category expansion in promotion time periods. Delayed attitudinal effects of direct consumer premiums in post-promotion time periods have received almost no research attention, but have been the focus of much discussion and disagreement. Some researchers have proposed that direct consumer premiums have unfavorable delayed attitudinal effects. Other researchers have suggested that direct consumer premiums have little, or no, delayed effects, while some researchers have suggested that direct consumer premiums have favorable delayed effects.

Varadarajan (1985, 1986) and Campbell and Diamond (1990) highlighted the need for research on the impact of different direct consumer premium characteristics in different time periods, and according to Blattberg and Neslin (1990) this area is under-research. From theoretical and practical perspectives, an understanding of whether certain direct consumer premiums might have different attitudinal effects in any or all time periods than other direct consumer premiums would seem to offer much to the discipline.

Previous research on other marketing communications has used classical conditioning principles as guidelines for examining promotion impact (e.g., Gorn 1982). Based on classical conditioning principles, it is expected that super-desirable direct consumer premiums, which are offered free with low-importance “neutral” promoted products (i.e., non-established, non-branded products), will stimulate more favorable attitudinal effects (which are transferred to the promoted products) than poor-desirable direct consumer premiums. However, there is no empirical work that has supported the applicability of classical conditioning in a direct consumer premium promotion context.

The present studies, two repeated-measures-experiments, examine the attitudinal effects of different direct consumer premiums in promotion time periods (i.e., when individuals are exposed to direct consumer premium promotions) and post-promotion time periods (i.e., after retraction of direct consumer premium promotions). The experiments specifically consider super- and poor-levels of direct consumer premium desirability. The experiments use repeated measures of attitudes-toward-promoted-products to investigate attitude formation and change, and to examine long-term delayed effects.

Findings from experiment one provide empirical support to the assertions that super-desirable direct consumer premiums stimulate more favorable attitudinal effects in promotion time periods, plus more enduring attitudinal effects in post-promotion time periods, than poor-desirable direct consumer premiums. Findings from experiment two substantiate those from experiment-one, and in addition, suggest that the effects are enduring in extended post-promotion time periods.

A FRAMEWORK FOR CATEGORY MANAGEMENT RELATIONSHIPS

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ABSTRACT

This paper draws on research into category management (CM) within the UK food channel. It provides a conceptual discussion of the issues of CM relationships in a strongly competitive and concentrated environment. The context of the relationships includes a limited choice of partners and a past history of long term adversarial relationships. To some extent manufacturers are obliged to enter these relationships because of shift in the balance of channel power to the retailer.

However, both retailers and manufacturers expect mutual benefits. The author argues that expectations of control, anticipation of satisfaction and trusting behaviour rather than trust are relationship facilitators. Commitment, satisfaction and cognitive trust are proposed outcomes of successful relationships.

INTRODUCTION

Category Management (CM) is defined as "a distributor/supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value" (Joint Industry Project 1995). It is about retailer-supplier relationships, relationships that have changed in the last two decades from being adversarial and conflictual to ones attempting integrative partnerships. CM provides an opportunity to analyse trading performance and to present product in the way that the consumer might naturally shop. This places the emphasis on range selection, customer offer, product profitability and customer ease of shopping. These are issues for retailer and manufacturer. A framework identifies relationship drivers, facilitators and outcomes, and focuses in detail on issues related to trust and satisfaction.

A category is a distinct, manageable group of products/services that consumers perceive to be interrelated and/or substitutable in meeting a consumer need. Categories should be focused on meeting consumer needs. The core of CM is strong, collaborative retailer-supplier relationships with joint objectives and win/win goals. At its best CM is potentially a new way of thinking about the customer's experience of retailing, (Progressive Grocer 1995). The CM business process is a structured, measured set of activities designed to result in the development and implementation of a written category business plan. This implies a strong emphasis on how work is done within and across the retailer and supplier organisations, in contrast to focusing solely on what is done. (Joint Industry Project 1995). CM is a major plank of collaborative trading partnerships.

What are these collaborative trading relationships and when do they become partnerships? Mohr and Spekman (1994 p.135) define partnerships as "purposive strategic relationships between independent firms who share compatible goals, strive for mutual benefit and acknowledge a high level of mutual interdependence. They join efforts to achieve goals that each firm, acting alone, could not attain easily. The formation of these ... partnerships is motivated primarily to gain competitive advantage in the marketplace." They point out that many partnerships do not succeed. Most retailers need to work with multiple suppliers within single merchandise categories. This is further complicated by the increasing manufacture and distribution of own label products. Most of the major UK manufacturers make own label products for one or more of the major retailers. Some manufacturers make only own label. Own label manufacture can lead to close collaboration and high involvement by both parties in product innovation, packaging design and marketing.

The four major UK food retailers each have between 2,000 and 3,000 suppliers. Relationships with these suppliers will have varying degrees of closeness, co-operation, trust and conflict. Many supplier companies do not have the resources or skills to enter into close partnership with the retailers. The focus of the discussion in this paper is on partnerships. Whilst power and conflict exist still in these relationships, their role is frequently different, or reduced. The emphasis here is on the constructs that help to understand integrative relationships. (Anderson, Hakansson and Johanson 1994, Anderson and Narus 1990, Butler and Gill 1996, Ganesan 1994, Mohr, Fisher and Nevin 1996, Morgan and Hunt 1995, Sriram, Krapfel and Spekman 1992).

RESEARCH BACKGROUND TO DISCUSSION

The aim of this paper is not to report the results of the research. These have been reported elsewhere (Hogarth-Scott and Dapiran 1997a, 1997b). Rather it is to provide the reader with understanding of the issues concerning CM in the UK food industry, in order to follow the conceptual discussion. To facilitate that discussion a brief outline of the UK food retail industry follows.

The drive toward CM must be seen in the context of a difficult trading time for retailers and suppliers. The environment is one of price wars between retailers, slower growth (particularly in store openings), increasing international competition, and a demand by customers for everyday good value. Own label appears to be less of a margin driver than in the 80's, and loyalty schemes have dominated the UK supermarket scene in the 90's. The retailers have an ever increasing supply of information, that ultimately should allow them to target customers selectively. Suppliers will be looking to earn a share in that information. The fight for market share means lower margins for the foreseeable future. The continuing streamlining of the supplier base along with further exploitation of technology is seen as playing major roles in competitive advantage (Retail Yearbook 1996). The impact of home shopping is as yet unquantified. The top four retailers (Tesco, Sainsbury, Asda and Safeway,) have all launched loyalty cards or are preparing to do so. Total share of trade among the four majors at October 1995 was as follows: Tesco 19.1%, Sainsbury 18.0%, Asda 11.2%, Safeway 8.7%. Combined discounters' market share was 10.9%. (Nielsen 1995) Tesco is using the data from its loyalty cards to reinforce its market leadership position and introduce major product innovation.

CM AND SUPPLY CHAIN MANAGEMENT

CM is a central part of supply chain management of the UK food channel. There has been a strategic shift in the management of supplies. The planning and control of purchasing and supply activities need to be linked to processes connected to the strategic management of the organisation as a whole. Organisational performance is jointly determined by the effectiveness and efficiency of other organisations in the supply system (Saunders 1997 pp viii-ix). Retailer-manufacturer relationships are only part of the supply chain. The general aims of supply chain management are to leverage costs, profits and cash flow and to contribute to the creation of value for all members of the chain.

The key factors in supply chain management relationships that affect this discussion include the role of information technologies, type of product, shopper dynamics, multiple channels, and channel flexibility. Information technologies have been the facilitator of many changes in retailing and in the supply chain over the last two decades. These technologies include electronic data interchange (electronic exchange of invoices, orders and other information between retailer and manufacturer); EPoS (electronic point of sale); efficient consumer response (rapid response to consumer needs through efficiencies in the supply chain and strong collaboration between retailer and manufacturer); and developments in logistics such as just-in-time delivery and more recently cross docking. Perhaps the most powerful information technology development is the information (potentially) available from the burgeoning loyalty cards. This may yet have the most major impact on retailer-manufacturer relationships as the information edges the retailer closer to the consumer.

The type of product will impact on both the mechanics of supply chain management and the relationship between CM partners. This has implications for the way channel partners relate to each other, and for organisational cultures and ways of doing business. Own label product supply may affect the relationship, and with fresh produce both parties may be involved in the entire production process. The demands of shoppers are changing and expectations rising. Data from EPoS and loyalty cards provides insights into detailed **individual** shopping habits. Once the most profitable, and the most loyal customers have been identified, retailers will have the opportunity to customise their offers. By sharing resources, capabilities and information retailers and manufacturers can meet individual or unusual needs (Narus and Anderson 1996).

The major UK food retailers are going into new areas, notably financial services. Other areas include clothing and non food and books and newspapers. Each substantive range extension brings them against different competitors, often introduces channel change and increases the range of customer needs they must meet. Channels now are dynamic webs with many direct and indirect ways to reach and serve customers (Anderson, Day and Rangan 1997). Products and services reach consumers through different channels, and a multi-channel strategy is required. Tesco now offer a full shopping service via the Internet and with home delivery. Shopper dynamics, new customer dynamics, multi channel and flexibility

are all interwoven strands of channel strategy and management. For many companies this requires a major rethink. Channel alliances are part of re-thinking that process.

THE FRAMEWORK AND DISCUSSION

The framework in [Table 1](#) provides an overview of the context, key relationship drivers and facilitators, and relationship outcomes of CM relationships. Some elements require little comment, and most of the variables are interlinked. These are ongoing relationships where control mechanisms are normative rather than contractual and revolve around complex sets of trade-offs (Weitz and Jap 1995). A discussion of the framework follows, but the main thrust of the discussion is on the trust and control issues in the relationship. Intuitively the question is: is it really trust if the manufacturer has limited choice? Would the commitment still be there if choice was wider? Is the trusting behaviour based on opportunism rather than 'trust'? And if the retailer controls (through access to the consumer) the relationship then what is the role of trust? The focus of the discussion is highlighted in [Table 1](#).

The Context

The competitive environment of the UK food industry is one of a mature market with slow growth, concentrated retailers, and to a lesser extent concentrated suppliers. This concentration plus other factors such as the development of own label, increasing retailer communication with the consumer through loyalty cards, and possession by the retailer of consumer information via EPoS, has led to shift in balance of power within the channel in favour of the retailer.

When a competitive marketplace has a small number of players on both buyer and supplier sides and all are major players in the marketplace, then the marketplace is likely to be made up of a series of interlocking and overlapping networks. If partnerships provide a route to competitive advantage then there is a motive for all major players to commit to them. Or, like loyalty cards, what might be lost by not making the commitment? Strong competition between retailers and market concentration has resulted in a limited choice of retail partners for manufacturers and one of the outcomes of the development of strong own label strategies by retailers has been the reduced space allocation available to branded products. Both add up to pressure on the manufacturer. However, strong brands still have consumer pull, i.e. brand franchise. This has implications for interdependence and channel power.

Relationship Drivers

Partnerships require a strategic approach, usually leadership vision, as they require considerable compromise in the way a firm does business. They anticipate efficiency gains (through reduced transaction costs) and competitive advantage. They are based on a shared belief that both parties will benefit and that both parties have assets that the other party values, e.g. shelfspace, brands, market information. This justifies the trade-offs and potential loss of control. Shelf space is a scarce resource and no branded manufacturer can afford not to try to optimise the available shelf space. Conversely, consumer pull requires that retailers stock the strong brands.

Interdependence includes 'total interdependence' and 'interdependence asymmetry'. Total interdependence refers to the sum of both firms' dependence. To reach this state firms make increasing investment in the relationship in a process of reciprocation (Kumar, Stern and Steenkamp 1995). Each party has the opportunity to facilitate the other party's goals. This way channel members raise their own exit barriers, and increase their self interest in the relationship. Interdependence asymmetry refers to the difference between the channel member's dependence on its partner, and the partner's dependence on its organisation. Asymmetry can lead to instability. Balanced interdependence exists when the difference between the channel members' dependence is small. More collaborative relationships eventually move towards balance, due to their recognition of mutual dependence, and realisation of self interest via the partner's assets. (Cummings, 1984).

Power is a feature of relationships. Power is a potential influence and exists even when not observable (Emerson 1962). Each member of the relationship brings resources to the relationship and the emphasis is on the relative power derived from those resources. A relationship gives each firm a degree of influence over the other, which means that they gain control of a part of the environment at the cost of surrendering a part of their own internal environment (Anderson,

Hakansson and Johanson 1994, Anderson and Narus 1990). Power can be defined operationally as the ability of one channel member to control the decisions of another channel member (Stern and El-Ansary 1988).

Partnerships require a belief in the stable, long-term nature of a full relationship. Commitment to a long-term orientation reduces the risk of opportunistic behaviour and provides confidence that short term inequalities will be resolved over the long term (Ganesan 1994, Williamson 1993). Ganesan (1994) notes that a long term orientation is distinct from the longevity of a relationship. This is shown in these relationships. Duration may affect a long term orientation, but the length of a relationship is not an indicator of closeness. To facilitate this conflict must be managed. A long term view is necessary to justify the resource commitment.

Relationship Facilitators

CM relationships require the management of conflict with trading issues kept separate from strategic relationship issues. These investments can be major in very concentrated marketplaces. Implicit in the discussion is the investment by both parties to the relationship. The benefits are not cost free (Day 1995). These costs include an investment in time by both parties, a substantial information resource, structural adaptation, and management skills. All relationships have transaction costs, including costs of reaching and enforcing agreements and dealing with contingencies. These may be reduced in trusting relationships which involves a reduction of opportunistic behaviour (Williamson 1993.)

Lack of trust has been seen as a profound barrier to successful alliances. In a series of hypotheses Morgan and Hunt (1994) link trust and shared values, trust and communication, trust and opportunistic behaviour, trust and relationship commitment, and trust and functional conflict. Morgan and Hunt (1994) conceptualise trust as existing when one party has confidence in an exchange partner's reliability and integrity. It is interesting to look at the dimension of role integrity. Role integrity can be seen as the capacity to be consistent over time, to deal with conflicting roles, and to fulfil the required level of task complexity (Robicheaux and Coleman 1994). Conceptually this is less than cognitive trust. This is particularly apposite to CM partnerships.

Trust is conceptualised in organisational literature as a mechanism for reducing uncertainty and increasing the predictability of desired outcomes. The process of personal trust requires intensive social interaction. So does organisational trust. Added to these aspects might be the issue of understanding. Trust is also relevant to information exchange in that proprietary information is not given to competitors. The level of market concentration and limited choice of partners requires a careful examination of the issues of trust and satisfaction. If UK food retailers and the large branded manufacturers **have** to do business with each other (although new channels may change this), then is 'trust' entirely appropriate as a descriptor? Could the same benefits be achieved with a less trustful approach? In the area of relationships trust is rarely all-encompassing. Relationship partners may trust each other on some issues and not on others (Kumar 1996). It is important to ask in what way trust is being used, what is trusting behaviour, in this context of no formal agreement and limited choice of channel partner. To what extent does trust explain the behavioural element of category partnerships?

Using communication literature and applying it to interpersonal trust Cowles (1997) distinguishes between 'trusting behaviour' and cognitive trust.¹ Cognitive trust is influenced by memory, past experience and organisational level safeguards such as control. If outcomes can be controlled then trust may not be so relevant. Past experience may influence the evaluation of risk. Trust thresholds may be different in different relationships.

Williamson (1993) identifies the need to assess the calculative element of behaviour before deciding if behaviour is trusting. For Williamson there is a distinction between risk and trust. Where there are contractual safeguards the use of trust is inappropriate. In CM relationships there are few legal safeguards and past memories and experience of adversarial and conflictual relationships. Current relationships using trusting behaviour may, in time, result in cognitive trust. It is to be expected that businesses only enter into long term, resource expensive relationships with other businesses where there

¹ In communications literature trusting behaviour occurs when one person relies on another and risks something of value and attempts to achieve a desired goal (Griffin 1967).

is a strong likelihood that they will be satisfied with that partner. An anticipated outcome would be a realisation of relationship satisfaction. An expectation of adequate control is likely to facilitate that outcome satisfaction. Organisational and structural adaptation and joint team structures and goals are operational facilitators. In a perfectly balanced interdependent relationship it might be expected that both partners adapt structurally and organisationally. In the UK food distribution channel most adaptation is carried out by the preferred supplier. This reflects some imbalance, and not totally symmetrical interdependence.

Relationship Outcomes

Both partners in the CM relationship need to be satisfied that the relationship is worth the investment and brings measurable outcome benefits. In CM relationships there are efficiency benefits and increased sales and consumer understanding which is translated into range management. Another, more intangible outcome is the enhanced skills of the partnership - organisational learning, interpersonal communications and partnership strategy implementation. These can be applied in other category relationships with the same partner, and in category relationships with other partners, and not only in 'preferred supplier' relationships.

Relationship commitment, facilitated by control and trusting behaviour, and anticipated satisfaction, makes it easier to resist short term benefits in favour of long term partnerships and benefits. It contains risk but is ultimately about reciprocal behaviour and commitment. In this framework trusting behaviour is posited as a relationship facilitator, and cognitive trust as a relationship outcome. It was noted when discussing relationship facilitators that it is possible to engage in trusting behaviour without reaching a state of cognitive trust. Awareness by one partner of the other partner's corporate culture will influence cognitive trust. That awareness influences assumptions about competence, motives and trustworthiness (Cowles 1997).

Relationship satisfaction is a combination of the realisation of common goals and of unique goals (for both partners). (Varadarajan and Cunningham 1995) In the UK food channel relationship satisfaction has wide implications. Where two partners experience relationship satisfaction this is likely to impact on their relationships in other categories, even where the manufacturer is not preferred supplier. Other benefits from satisfactory relationship is the commitment to joint product innovation, joint promotions and other elements of the marketing mix. Partnership specific investments are an outcome of a relationship. They are protected by a relationship and are not easily replaced. They will vary with different relationships (Wilkinson and Young 1994).

CONCLUSION

New ways (channels) of meeting customer needs, new information technologies and more sophisticated customers are forcing different strategic approaches to supply chain strategies. CM relationships is one of these strategies. Investment in channel partnerships is high and both partners have to limit the number of partners and take into account the opportunity costs of those relationships they forego. Additionally good trading relationships exist outside the partnerships. Different types of products will have different kinds of partnerships, e.g. commodity type products such as soap powders where there are only two major suppliers, and impulse products where there is frequently no substantial market leader. Channel partnerships have begun to resolve the issues of 'power' in the relationship, to accommodate tactical conflict within a secure strategic framework, and to accommodate joint value-adding work to minimise confusion for the customer and bring benefits to all three parties: retailer, supplier and customer. Different competitive environments will result in different CM strategies. In the research discussed here the strongly competitive and concentrated market environment has encouraged joint initiatives from manufacturers and retailers. This is despite a history of adversarial relationships. Both parties have assets the other party values, even though interdependence is not entirely balanced.

The author argues that, in this context, the concept of trust must be carefully examined. Limited choice may dilute the need for trust as might expectations of adequate control. Trusting behaviour and anticipation are relationship facilitators. There is commitment to the long term, but length of relationship, in itself, is not an indicator of closeness. Successful relationships should result in relationship commitment, cognitive trust and relationship satisfaction. Other outcomes include reduced transaction costs, enhanced partnership skills, consumer understanding and benefits, and relationship specific

investments. The framework contributes to the current discussion of relationships by drawing on research into CM relationships in the UK.

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Table 1. CM Relationships: A Framework

Context	Relationship Drivers	Relationship Facilitators	Relationship Outcomes
Industry PLC life stage	Strategic vision	Management of conflict	Reduced supply chain costs
Competition	Possession of valued assets	Adequate resources	Improved consumer understanding and consumer benefits
New technologies	Anticipation of reduced transaction costs and competitive advantage	Ability to manage strategic partnerships	Enhanced partnership skills
Limited choice of partners	Interdependence	Expectations of adequate control	Relationship commitment
Past history of adversarial relationships	Shifts in balance of channel power	Trust - trusting behaviour, calculative trust	Cognitive trust
Market concentration	Long term relationship orientation	Anticipation of satisfaction with partner	Relationship satisfaction
		Organizational and structural adaptation	Relationship specific investments

VERTICAL CONTROL AND PERFORMANCE: THE ROLE OF POWER, RELATIONAL NORMS AND TRANSACTION COST ANALYSIS IN DISTRIBUTION CHANNELS

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ABSTRACT

Marketeers have argued that organisations are concerned with vertical control along the marketing channel to avoid competition and to improve performance by rationalising costs arising from both production and market search. The general proposal offered by this study is that within the transaction cost framework, the existence of relational norms between the trading parties facilitates control over business operations. This vertical control, in turn, enhances performance of the dyad.

INTRODUCTION

The research focuses on role of transaction cost analysis, relational norms and power in governance structures that facilitate bilateral exchange in distribution channels. The commercial setting is the UK brewing industry which is characterised by a few large suppliers (breweries) and many small retail buyers (public houses). The focal dyad for the study is the brewery-public house relationship. The degree of integration between the breweries and public houses is characterised by: (1) directed ownership through Managed Houses, (2) binding contractual arrangements through Tied Houses, (3) independence through Free Houses. The conceptual and empirical base for the study is reliant upon the works of Pfeffer and Salancik (1978), Dwyer *et al.* (1987), Heide and John (1992), Macneil (1980) and Williamson (1985).

RESEARCH PROBLEM AND HYPOTHESES

The presence of specific assets only creates an incentive to establish vertical control, and does not in itself endow the firm with the ability to actually structure a relationship in the desired fashion (Heide and John 1992). Transaction specific investment will reduce a firm's ability to exercise control because of the dependence it creates (Williamson 1985). This dependence arises because the focal exchange partner becomes irreplaceable, or replaceable only at a cost. Such a dependence structure actually transfers control from the supplier (the major partner) to the buyer (the minor partner) in accordance with transaction cost prescription. This can be expressed for the current research in the following way. Investment by a brewing company (the supplier) in transaction specific assets leads to a decrease in its control over a public house (the buyer) decisions as a result of dependence.

H₁: Investments in transaction-specific assets by the supplier decrease the supplier's control over buyer decisions.

Dwyer *et al.* (1987) refer to relational norms as "the standards of conduct that mark a relational contract that forms in the exploration phase of relationship development" (p. 17). By such an exploratory stage "the association has developed or evolved significantly" (Scanzoni 1979, p. 791). This creates the "rudiment of trust and joint satisfaction" (Dwyer *et al.* 1987). Under such circumstances one can deduce that "mutual interests" and "shared values" lessen the risk of opportunistic behaviour by the buyer and thereby reduce the economic need for supplier control. This view is re-enforced by Heide and John (1992) who state that "by their nature.... constitute a safeguard against exploitative use of decision rights" (p. 35). Furthermore, relational norms are a "...single second order factor which give rise to three first order factors representing the three dimensions" of *flexibility, information exchange and solidarity* (p. 36).

H₂: The greater the level of relational norms existing within an exchange relationship the lower the degree of supplier's control over buyer decisions.

Control has been viewed as a zero sum state in which the suppliers' ability to exercise control stems from the buyers' decision to relinquish it (Roth 1991). This has been challenged on the grounds of strategic choice that leads both to competitive advantage and economic efficiency (Ganesan 1994; Grossman and Hart 1986). However, there still exists the threat that relinquishing decision control may result in "reverse opportunism" by the control holder. Relational norms generate expectations about "permissible limits on behavior" that act as a "safeguards against exploitative use of decision rights" (Heide and John 1992, p. 35). Therefore, for higher levels of relational norms buyers are more likely to relinquish decision control to suppliers who committed transaction specific investment to support the exchange.

H₃: Suppliers' investments in transaction-specific assets leads to increased control over buyer decisions for relatively high levels of relational norms.

The *dependence* in an exchange situation makes one party susceptible to the power and influence of the other party (Pfeffer and Salancik 1978). Conventional analysis of power-dependence theory portrays control relinquishment as a reluctant concessions to the demand of a more powerful exchange partner. Beier and Stern (1969) note that "those.... with the greatest power are able to manipulate other members.... in order to achieve greater positive results" (p. 113). Pfeffer and Salancik (1978) argue that dependence is comprised of three elements. "First, there is the *importance* of the resource, the extent to which the organization requires it,.... second is the extent to which [the other party] has *discretion* over the resource....and third, the extent to which there are few *alternatives*....." (p. 45). On the basis of these definitions a firm is considered more dependent on a supplier when that supplier provides a larger percentage of its business. The magnitude or concentration of the exchange provides the dominant party (supplier) with some degree of control over buyer decisions.

H₄: Greater supplier concentration increases the supplier's control over buyer decisions.

Heide and John (1992) argue that "a dominant partner in terms of bargaining power can extract safeguards for specific investment" (p. 41). Transaction specific investment, both capital and human, involves risk (Williamson 1985). Risk is reduced by control, but control is "contingent on the party at risk possessing a sufficient amount of bargaining power to extract the necessary safeguards" for the transaction specific assets (Heide 1994, p. 81). The presence of a dominant supplier provides the potential for the exercise of "sheer power" (Stinchcombe 1985). Thus, the more dominant the supplier the more control can be exercised over buyer operations to protect commitments to idiosyncratic investment.

H₅: Suppliers' investments in transaction-specific assets leads to increased control over buyer decisions for relatively high levels of supplier concentration.

Business relationships should be considered as an ongoing dynamic process. (Ford 1980; Dwyer *et. al.* 1987; Webster 1992). This process evolves over time as the participants mutually and sequentially demonstrate their trustworthiness by behaving in a nonopportunistic manner. Hallen *et. al.* (1991) observe that "adaptation can be assumed to be a significant feature in the dynamics of business relationships" (p. 30). One form of adaptation is the relinquishment of vertical control to meet the needs and capabilities of both parties exposed to changing business conditions. This contention receives support from Webster (1992), who argues that "instead of vertical integration being the preferred model.....each part or process or function should be the responsibility of a specialized entity, efficiently organized and managed... in ...stable long-term relationships" (p. 9).

H₆: The longer the exchange relationship the lower a supplier's control is over buyer decisions.

Relational norms evolve through time resulting in a reduction in social and cultural distances and giving rise to shared values and mutual interests (Dwyer *et. al.* 1987, Ford 1980; Heide and John 1992). Over time higher levels of supportive norms enables the supplier to establish control over buyer decisions because the fear of reverse opportunistic behaviour is diminished. Heide and John (1992) speculate that a buyer gives up control "under such conditions in part as a reciprocation for a (supplier's) willingness to make investment in idiosyncratic assets" (p. 42).

H₇: Supplier's control increases for relatively high levels of relational norms, the longer the exchange relationship.

The final hypothesis relates performance and vertical control. This overcomes the recognised limitation of Heide's and John's work "to account directly for any performance indices" (1992, p. 42). The greater the degree of control by the supplier over buyer decisions, the higher the performance of the buyer. This relates indirectly with the work by Noordewier *et. al.* (1990) who evidenced that relational elements enhanced performance outcomes in the supplier-buyer dyad and directly with work by Kalwani and Naryandas (1995) who further endorse that "firms in long-term relationships achieve higher profitability" (p. 1).

H₈: *The greater the degree of supplier's control over buyer decisions the higher the performance of the buyer.*

We can formulate the above hypotheses into a structural equation model whose pathways are depicted in [figure 1](#).

SURVEY

Data was collected from the UK brewing industry. A telephone survey of 719 public house entries in Yellow Page London South West 1995/96 produced 199 Managed, 173 Tied and 159 Free Houses respondents. The overall response rate was 74%. Biases were examined for but none were found.

RESULTS

A structural equation model was used to investigate hypotheses **H₁** to **H₈**. All results were cross-validated by using data from two samples: Managed and Tied public houses. The results are given in [table 1](#). Overall the model performed well with the χ^2 values for both outlets being highly insignificant. Six out of the eight hypothesised paths: $\gamma_{11} < 0$ by **H₁**; $\gamma_{12} < 0$ by **H₂**; $\gamma_{13} > 0$ by **H₃**; $\gamma_{16} < 0$ by **H₆**; $\gamma_{17} > 0$ by **H₇**; $\beta_{21} > 0$ by **H₈**, had not only the expected signs but also proved to be significant at $\alpha = 0.005$. Although γ_{15} had the prescribe sign by **H₅**, it was significant at $\alpha = 0.01$ only for tied houses.

The study offers support to the work of Heide and John (1992) for a different focal exchange dyad, industry and economy. The findings confirm the presence of relational norms and these have been shown empirically to augment the TCA prediction on vertical control in the brewery-public house dyad. Supplier (brewery) control not only protect transaction specific investment against opportunistic behaviour, but also has a positive effect on the performance of the buyer (public house) whose relinquishes control of key business decisions.

LIMITATIONS AND FUTURE RESEARCH

Future research needs to focus attention on the *dynamics* of structuring and maintaining relational norms over time (Wilson 1995). The stages of establishing relational norms are conceptually provided by three studies: Dwyer *et. al.* (1987); Ford (1980); Heide (1994). According to Wilson (1995) "the influence of the different stages of the relational development process are not accounted for within a cross-sectional design" (p. 335). Moreover, given that "economic agents adapt their expectations in the light of past experience" (Shaw 1984, p. 25), and that norms are perceived as a continuous rather than a discrete phenomena which is "very much time related" (Ford *et. al.* 1986, p. 390), a longitudinal study would contribute greatly to channel management literature. Therefore identifying and substantiating the evolutionary drivers of supportive norms will provide useful knowledge for implementing and nurturing exchange relationships in nonmarket governance.

The focus of this study has been transaction cost theory, power-dependence theory and relational norms in bilateral exchange. Marketing literature suggests that agency theory can contribute to the debate on supplier-buyer interaction in marketing channels in general and to knowledge in the formation of exchange governance structures in particular (Bergen *et. al.* 1992). Agency theory as conceived by Jensen and Meckling (1976) involves binding contractual arrangements between the principal and agent taking into account risk assessment. Many dyadic relationships e.g. franchising, dealerships etc. provide ideal trading environments for investigating the validity and generalisability of agency theory propositions taking explicit account of the presence of relational norms.

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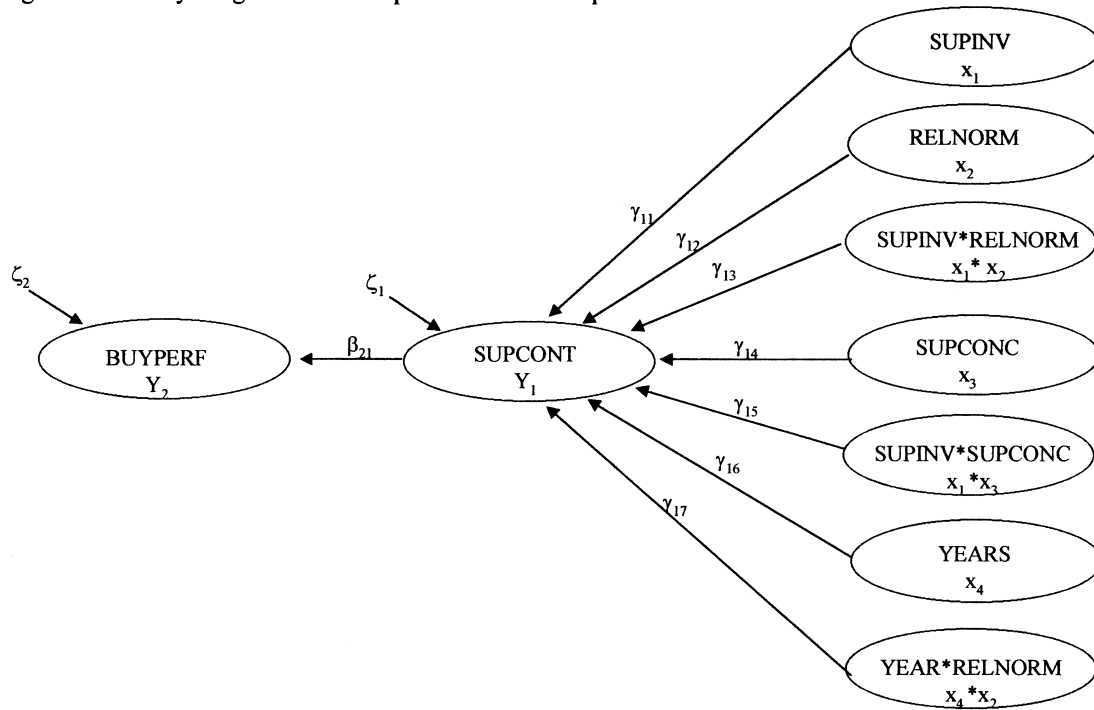
Table 1: Estimates of the Proposed Structural Equation Models

	Tied Houses		Managed Houses	
	Estimates	T-values	Estimates	T-values
<i>Parameters</i>				
$\beta_{21}(\text{SUPCONT})$	.583	3.908^a	.356	1.899^c
$\gamma_{11}(\text{SUPINV})$	-1.360	-2.792^a	-1.304	-2.305^b
$\gamma_{12}(\text{RELNORM})$	-.788	-2.552^b	-1.543	-3.654^a
$\gamma_{13}(\text{SUPINV*RELNORM})$	1.132	2.396^b	1.908	2.769^a
$\gamma_{14}(\text{SUPCONC})$	-.163	-.456	.141	.328
$\gamma_{15}(\text{SUPINV*SUPCONC})$	.847	1.600 ^d	.058	.097
$\gamma_{16}(\text{YEARS})$	-.623	-1.751^b	-1.368	-2.126^b
$\gamma_{17}(\text{YEARS*RELNORM})$	.826	2.184^b	1.565	2.413^b
<i>Goodness-of-Fit Statistics</i>				
$\chi^2[\text{df}]$	3.47 [6]		4.91 [6]	
p-value	.748		.555	
GFI	.995		.994	
AGFI	.964		.956	
RMSR	.019		.022	
R ²	.271		.177	

^a Significant at $p < 0.005$ (1 - tail) ^c Significant at $p < 0.05$ (1 - tail)

^b Significant at $p < 0.01$ (1 - tail) ^d Significant at $p < 0.1$ (1 - tail)

Figure 1: Pathway Diagram of the Proposed Structural Equation Model



THE ROLE OF PROCTORSHIP FOR INDEPENDENT SALES REPRESENTATIVES: INFLUENCING EFFECTIVE INTER-ORGANIZATIONAL RELATIONSHIPS

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ABSTRACT

Independent sales representatives work in heterogeneous sales environments, have little direct managerial influence, great responsibilities, and are faced with the role of self-management to achieve both supplier and self-desired outcomes. An adaptation of a previously proposed schema of control, proctorship, is presented. Introducing the complexity of controlling independent sales representatives.

INTRODUCTION

The dependence on cooperative efforts between firms for success in the future rather than the traditional competitive paradigm is increasingly apparent. The relationship marketing perspective states that actively maintaining and nurturing the relationships by each of the involved parties is critical to the relationships between companies that want to be competitive. Scholars have examined elements such as trust, commitment, communication, cooperation, power, satisfaction, and conflict as critical to the development and continuance of marketing relationships between buyers and sellers, manufacturers and distributors (Anderson and Narus 1990; Anderson and Weitz 1989, 1992; Doney and Cannon 1997; Dwyer, Schurr and Oh 1987; Ganesan 1994; Mohr and Spekman 1994; Morgan and Hunt 1994).

Much of what we know about relationship marketing has been gleaned from research conducted at a dyadic organizational level of analysis. Relational exchange is based on social components that are affective attributes (i.e. trust, commitment, communication) carried between organizations by the boundary spanning representatives of each firm or independent sales reps. Independent sales agents serve as the sales force for multiple companies in a specified geographic territory and are paid on a commission basis. Rep is the term used universally in industry to describe this type of sales person (Novick 1988) and is, consequently, used throughout this paper.

Reps are the conduit through which relationships between organizations flow and, ultimately, strengthened (Fontenot and Palmer 1997). As such, reps are chiefly responsible for transferring trust (Doney and Cannon 1997; Ganesan 1994), satisfaction, commitment (Gruben 1997), cooperation and communication between organizations (MacNeil 1980). Since reps engender inter-organizational relationships, methods that nurture the individual effectiveness of sales representatives must be found. This has traditionally been the responsibility of the sales manager but may not be applicable for independent sales representatives. In some cases, the rep principle performs as a proxy for the sales manager of multiple organizations. Enhancing employee effectiveness has traditionally been the domain of organizational control but may not be easily accomplished with reps because of their independent nature.

This paper conceptually addresses two questions. (1) How can managers optimize relations between firms when our notions about control are rapidly becoming outdated and are not generalizable across sales relationships? (2) How can an organization move away from control measures that were successful for boundary spanners toward modes that will nurture elements critical to building inter-organizational relationships involving independent agents?

OBJECTIVE

The objective of this paper is to provide insights for representative principles in ways that they may manage independent sales reps by guiding their efforts to build enduring business-to-business relations. First, the failure of the literature to address the role of sales managers to build independent sales representatives as builders and maintainers of inter-firm relationships is outlined. Next, the construct of proctorship and other key constructs previously used to analyze business-to-business relations are examined. Finally, an adaptation to the model of the Role of Proctorship (Fontenot and

Palmer 1997) and specific propositions characterizing how managers can maximize the efforts of independent sales representatives are presented.

A necessary prerequisite to effective inter-organizational relationships is quality of the relationship between the independent sales representatives and the rep principal and/or the sales manager. Intuitively, expecting to enhance the effectiveness of relationships between reps. and sales managers and/or rep principals depends upon developing the commitment of each party. However, the correlation between commitment and organizational effectiveness is unsupported in the literature (Becker, Billings, Eveleth, and Gilbert 1996; Mathieu and Zajac 1990; and Meyer, Paunonen, Gellatly, Goffin). One explanation is that commitment has typically been defined globally (Mowday, Porter, and Steers 1982). Scholars have previously indicated the cause of the disparity in research is the multidimensionality of commitment (Becker, Billings, Eveleth, and Gilbert 1996) which suggests a global definition may not be appropriate.

Constituent commitment, commitment to specific subgroups, such as supervisors, work groups, associations, top management, as well as to clients, emerges as the apropos form of commitment for discussions about relationship between reps and sales managers and/or rep principals. Commitment to supervisors is identified in the research as positively related to performance and is more strongly linked to overall performance than global commitment (Becker, Billings, Eveleth and Gilbert 1996). Sales representatives who are committed to their jobs, their sales managers and/or rep principals, and their clients are therefore expected to more likely engage in behaviors that foster the disposition of the involved parties to remain in the relationship.

PROCTORSHIP AND THE INDEPENDENT SALES REPRESENTATIVE

Fontenot and Palmer (1997) previously identified proctorship as having the greatest potential of control in heterogeneous sales environments. Sales environments that are dominated by independent sales are heterogeneous: they are characterized by considerable variation in the nature of the selling task because of environmental complexity (Sauers, Hunt, and Bass 1990). Proctorship is a managerial perspective of control based upon guiding rather than directing the actions of sales reps (Fontenot and Palmer 1997). It borrows from concepts of outcome based control as well as self-management theory. As selling environments become increasingly complex, proctorship suggests sales managers and/or rep principals guide reps toward suppliers' goals while still allowing considerable independence.

ADAPTATION OF THE PROCTORSHIP CONSTRUCT

The proposition of this paper is that independent sales representatives work in heterogeneous sales environments, have little direct managerial influence, have great responsibilities, and are faced with the role of self-management to achieve both supplier and self-desired outcomes. The role of proctorship for independent reps is much more complex than for a boundary spanning employee. In such cases, the principle serves as a proxy for the sales manager. The disparity between the two philosophies leads to ambiguity for reps. Ambiguity increases when the organization operates under a hybrid philosophy---for some situations the sales manager serves as the proctor but in others the principle does.

The level of trust and communication between the sales representative and sales managers and/or rep principals mediates the role of proctorship between the parties. Proctorship's importance is derived from its inherent nature of fostering constituency commitment. Relational behaviors involving trust and communication can be directed toward building constituency commitments taken by reps, such as commitment to the job, sales managers or rep principals, or clients. As the model of the role of proctorship for independent sales representatives shows, the outcome of building and augmenting these constituency commitments is increased inter-organizational relationship effectiveness as reflected by sales performance and relationship endurance.

Trust

Trust is an important element of proctorship. For trust to exist, sales managers and/or rep principals must develop personal relationships and social bonds with sales representatives---this is the foundation of proctorship. The literature on trust suggests that confidence of the trusting party results from the belief that the trustworthy party is consistent and has high integrity (Butler and Cantrell 1984). These attributes are associated with such qualities as consistency, competency, honesty,

fairness, responsibility, helpfulness, and benevolence (Dwyer and LaGace 1986; Morgan and Hunt 1994). In proctorship, a sales manager and/or rep principle that fails to exhibit these qualities will lose the trust of the rep and become ineffective at guiding them toward the desired sales goals. Purposeful proctorship will build personal relationships between sales managers and/or rep principles and reps such that trust is gained through the demonstration of each party acting responsibly, fairly and justly in their mutual dealings.

Proposition 1: There is a positive relationship between the degree of trust displayed between reps, sales managers and/or rep and the use of proctorship.

Communication

Communication processes underlie most aspects of organizational functioning. Specific communication behaviors are critical to organizational success (Mohr and Nevin 1990). Heterogeneous sales environments such as those involving independent reps require increased quality in shared information so the reps may act responsively. To the extent that proctorship is used to foster self-management, quality in the information shared between managers, principles, and reps must increase. The accuracy and adequacy of the information managers and/or principles provide to reps through proctorship determines the effectiveness of the decisions reps make. Reps must have the ability to self-manage in heterogeneous sales environments so that they may be responsive to the needs of their clients, reactive to the efforts of competitors, and directed toward goal attainment. Communication quality includes the accuracy, timeliness, adequacy, and credibility of information exchanged (MacNeil, 1981). Proctorship in heterogeneous sales environments depends upon each of these elements to empower the rep with the means to effectively self-manage.

Proposition 2: There is a positive relationship between the communication quality and the use of proctorship for independent sales reps.

Commitment

Commitment, as a global construct, has relatively little direct influence on performance (Mathieu and Zajac 1990). However, as a multidimensional construct, at least some elements of commitment lead to job performance (Hunt and Morgan 1994). Constituency commitments, such as those to supervisor and top management, contribute to global organizational commitment (Hunt and Morgan 1994). Fostering constituency commitments that contribute to organizational commitment and ultimately lead to effective inter-organizational relationships is important for proctorships. The commitment of each member has a strong impact on an individual member's commitment (Doucette 1997), thus strengthening our contention that constituency commitments are an important variable in a relationship---especially proctorships. Reps' level of commitment to the relationship is strengthened by the perception that each of the other members are similarly committed to the relationship.

Proposition 3: There is a positive relationship between constituency commitments of reps and the management's and/or principle's use of proctorship.

INTER-ORGANIZATIONAL RELATIONSHIP EFFECTIVENESS

Inter-organizational relationship effectiveness must be measured by two criteria: sales performance and relationship endurance. Dollar and/or product volume sold are the traditional basis for measuring the effectiveness of reps. Relationship endurance, the second criteria, must be addressed if organizations are to be effective at building enduring inter-organizational relationships. Sales performance measures focus on short ranged, easily measured outcomes generally captured as sales over time (dollars/month). In contrast, relationship endurance must be measured over the long range. This measurement may include: growth with a firm; frequency and cost of sales calls to a firm; sales cycles; cost and frequency of sales returns; and, percentage of total sales that a firm represents to another.

Reps are the facilitators of those elements that will have the greatest impact on the relationship performance. Reps who are committed to the organizations for which they sell are more likely to strive to meet the objectives set by the organization---they realize that in reaching the organizations objectives will enhance the likelihood of a long-term

relationship. Commitment to sales managers and/or principles will also foster the desire of a rep to strive to reach and maintain the goals of the organization (Hunt and Morgan 1994). Reps who are committed to their clients will perform behaviors that foster the clients' desire to maintain the relationship such as providing responsive and quality service. Firms that see sales representative making the extra efforts to support their business, through sales and/or product support; timely and accurate information exchanged; timely deliveries; and, fair pricing and promotional considerations, will be more inclined to continue purchasing from the sales representative. This builds the desired enduring relationship.

Proposition 4: There is a positive relationship between constituency commitments of reps and inter-organizational relationship effectiveness.

IMPLICATIONS

Recognition of the necessity of changing management and control styles will come from an understanding of the nature of the task environment. The assumption that most sales organizations have been using behavior based controls and direct management styles is made in this paper. The best way to effectively implement proctorship is by cultivating a high level of trust prior to the change. Communication methods will also be critical in a shift from manager control to proctorship. Alteration in the managerial style and expectation of sales representatives can be fraught with resistance, distrust, sabotage and uncertainty, especially when dealing with independent reps. Proctorship grows from trust and communication which are ultimately constitutive to commitment. By facilitating those behaviors that lead to constituency commitments, proctorship leads to effective inter-organizational relationships. Reps that are committed to sales managers, rep principles, and their clients will choose behaviors that result in positive outcomes for all. Specific to the measurement of those positive outcomes is sales performance and relationship endurance.

SUMMARY

In this paper, we have argued that the future success of organizations using independent sales reps depend upon management's and principle's use of controls that strengthen reps' constituency commitments. The critical link between organizational commitment and organizational effectiveness is the relationship between management, rep principles and independent sales representatives. To understand more about fostering enduring inter-organizational relationships, it is therefore important to understand how sales representatives, by embodying the affective attributes of commitment, impact overall organizational effectiveness. By creating organizational environments that facilitate trust, commitment, and a variable we call proctorship, organizations may be able to enhance total sales effectiveness. This involves not only maximizing sales, but also fostering and maintaining enduring inter-firm relationships as well.

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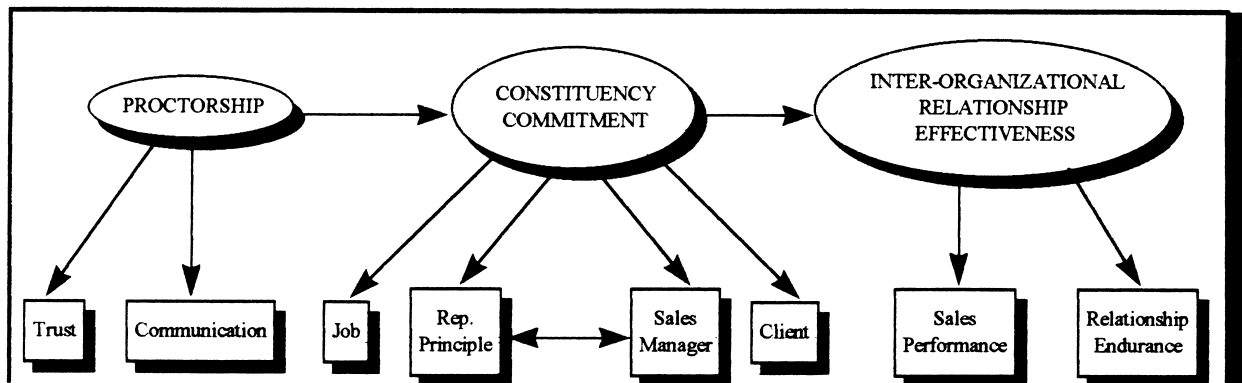
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FIGURE 1 Model of the Role of Proctorship for Independent Sales Representatives



ANTECEDENTS TO LOYALTY IN AGENCY-CLIENT RELATIONS: THE IMPACT OF LONG-TERM VERSUS SHORT-TERM RELATIONSHIPS

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ABSTRACT

Both marketing theory and practice have experienced a paradigm shift toward relationship marketing, a concept that encompasses more collaborative, long-term relationships between supplier and client (Morgan and Hunt 1994). Collaboration is the process by which partners adopt a high level of purposeful cooperation to maintain a trading relationship over time. The successful relationships appear to be those where an overall balance of benefits is realized by member companies. Marginal success is often a result of the buyer and/or supplier abusing power or lacking a commitment to preserve the relationship (Nowak 1997).

Advertising clients and their agencies are still having relationship problems. Since the last recession, the main cause appears to be cost and how it relates to performance. Unreliable delivery, followed by lack of personal chemistry, and poor creative performance are the most likely factors to result in a breakdown of the relationship (Divided They Stand" 1996). However, a small number of clients have kept the same ad agency for over fifteen years. In these relationships it appears that these clients do not treat their agencies "solely as reservoirs of creative talent but rather as equal business partners" (Michell and Sanders 1995).

The purpose of this study was to determine: (a) the variables that contribute to client loyalty in long-term and short-term advertising agency relationships, (b) whether or not clients evaluate agencies using these same variables, and (c) whether or not client perceptions of value, effectiveness, and success increase with the length of the agency/client relationship.

An analysis of all client responses found "shared high professional values and standards" as the most important agency characteristic for continuing business. "Good creative standards", "common understanding and commitment", were both rated close seconds.

Seventy-one percent of the respondents systematically review their primary advertising agency's performance, most often looking at the agency's creative skills, its ability to stay within budget, and the value delivered for the money spent.

Clients in long-term relationships with their agencies more often described their primary ad agencies as "a good value". Long-term clients indicated they are looking for ad agencies who are effective at coordinating their priorities and resources.

Clients described their ad agency relationships as better values and more successful as the lengths of the relationships increased. These findings suggest that as relationship length increases, the agency has learned how to effectively manage the client's priorities while dealing with creative expectations and budget constraints.

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TABLE 1
DESCRIPTIVE CHARACTERISTICS OF RESPONDENTS

Characteristic	Total
1996 Revenue (mean)	\$ 1.95 billion
1996 Advertising Budget (mean)	\$ 10 million
Spent more on advertising vs. 1995 (% Yes)	54%
Expect to spend more in 1997 (% Yes)	49%
Percent of ad budget spent on fees/commissions	12%
Number of agencies employed in 1996 (mean)	2.4

TABLE 2
DESCRIPTIVE CHARACTERISTICS OF AD AGENCY RELATIONSHIPS

Characteristic	Mean	Short Term	Long Term
Cooperative	5.61	5.30	6.00a
Continuous	5.58	5.18	6.12b
Committed	5.56		
Successful	5.47		
Effective	5.32		
Collaborative	5.27		
Trusting	5.27		
Mutually Supportive	5.21		
A Good Value	4.80	4.52	5.20a
Formal Contract	4.74		
Informal Agreement	3.53		
Project by Project Bidding	2.67		

a = $p < .05$; b = $p < .01$

TABLE 3
PERFORMANCE EVALUATIONS CONDUCTED BY CLIENTS

Percent of Clients Answering "Yes"	
Any kind of systematic review	71.2
Agency's creative skills	65.1
Agency's ability to stay within budget	61.9
Value delivered for money spent	52.4
Meeting performance expectations	44.4
Measured increases in customer awareness (or image rating, recognition, recall, etc.)	33.3
Sales increases	28.6
Formal internal advertising audit	19.0
Other	14.3

TABLE 4
IMPORTANCE OF ACCOUNT CHARACTERISTICS IN MAINTAINING RELATIONS

Characteristic	Overall Mean	Short Term	Long Term
Shared high professional values/standards	6.15		
Common understanding and commitment	6.12		
Agency has good creative standards	6.12		
Clear cut objectives are required	6.03		
High-caliber personnel are required	6.03		
Mutual trust must be developed	6.02		
Campaigns are strong in image/sales effect	5.97		
Strong leadership is required on both sides	5.93		
Effective coordination priorities/resources	5.92	5.76	6.16a
Agency has good account management	5.80		
Communication systems are vital	5.77		
There are no conflicting accounts	5.77		
Mutual professional competence is crucial	5.75		
Senior agency personnel are strong	5.73		
There is relative good value for money	5.67	5.47	5.96a
Strong compatibility between account team	5.60		
Open supportive relations are encouraged	5.57		
Diplomacy and mediating skills necessary	5.50		
Team spirit is actively developed	5.50		
Personnel continuity is critical	5.31		
High interaction/frequent exposure required	5.17		
Pride in group performance is required	5.08		
The agency is close to our business	4.98		
We have personal affinity with agency	4.95	4.61	5.36b
Compatible aims developed with suppliers	4.69		
Periodic review systems are necessary	4.65		
Deep relations developed with suppliers	4.57		
The company is prestigious	3.14		

a = $p < .10$; b = $p < .05$

TABLE 5					
REGRESSION ANALYSIS - OUTCOMES PREDICTED BY RELATIONSHIP LENGTH					
Variable	Constant	Coeff.	F Stat.	Sig.F	R ²
A Good Value	4.3835	.0056	9.1989	.0036	.3728
Successful	5.2076	.0036	2.9186	.0930	.2207

IS SALES TRAINING EFFECTIVE? PUTTING TWO HYPOTHESES TO THE TEST.

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ABSTRACT

Two hypotheses on sales(related) training were put forth and tested in a wholesale market, linking training budget and training time to three measures of sales effectiveness. The hypothesis on time spent on training was confirmed to a certain extent. This study raised some questions about the applied self-monitored effectiveness criteria and the influence of the typical market studied (staid paper wholesale merchants).

INTRODUCTION

Many enterprises implement regularly sales training programs, quite often at considerable direct and indirect (non-working days) costs. A lack of 'proper training' is, according to 23% of the interviewed Fortune-500 companies, a cause for a salesperson's failure (Hair, Notturmo & Russ, 1991). The common assumption is that sales training programs are effective. But is that really the case? Does training 'work' in general? "Very little research has been done to determine what effect, if any, sales training has on the salesforce. Most organizations simply assume on blind faith that their sales training programs are successful. After all, if a company has high sales and high profits, why should a sales manager assume sales training is anything but effective?" (Churchill, Ford & Walker, 1993).

Measuring sales effectiveness is complex: there are many variables involved (of which only a few can be isolated by a researcher). Furthermore, there are the company's and salesforces' objectives that salespeople need to meet - and which may not be open to the researcher's scrutiny - the applied training philosophy and technique², its content, the various types and levels of measurement (e.g. behavioral versus sales volume, short-term versus long-term effect, etc.), which may conflict with each other.

The strength of training was demonstrated in the industry-wide Sales Force Effectiveness Research study (SFER-2), where training accurately predicted salesforce performance over 50% of the time (El-Ansary, 1992, 1/2). Training budgets did not differ between low and high performing companies; the emphasis differed. At the effective salesforces "the seven most vital content areas for training are (in order of importance): selling skills, product knowledge, time and territory management, communications skills, account development, pricing policies and market knowledge" (El-Ansary, El-Ansary & Harris, 1994).

RESEARCH HYPOTHESES

When interested in the effects of training on salesperson's effectiveness one should first stipulate the aspects of training that are of relevance. The present study focused on two fundamentals, training budget and training time. Following the findings of SFER-2 it could be concluded that the amount of money budgeted for training does *not* necessarily impact sales effectiveness. However, training time as such seemed to have a positive influence on the salesperson's sales effectiveness. This is leading up to the following two hypotheses:

H1: The higher the sum of money spent on the individual salesperson's training, the higher his sales effectiveness. (No significant differences should be found between effective and less effective salespersons.)

H2: The more training time allotted to the individual salesperson, the higher his sales effectiveness.

² E.g. consultative selling (Orlin, 1993): training salespeople in a wide range of skills and behaviors that emphasise partnership with the customer, enhance communication among team members, long-term business relationships and selling that focuses on service.

METHODOLOGY

Population

As a population for this study all 12 members of the Dutch '*Vereniging van Papiergroothandelaren*' (paper wholesale merchants) were serving, holding together an estimated 70-80% of the entire Dutch paper wholesale market. They are independent operators (from the mills), work nationally, are 'generalists' (non-specialised) and have salesforces consisting of more than one full-time outside salesperson, altogether employing an estimated 180 full-time outside salespersons³. Prior to the start of the fieldwork it was deemed necessary to test the questionnaire. Its outcome caused a second pilot test to be executed.

All salespersons of the targeted companies that consented (9) were approached indirectly, that is through their sales managers and/or other 'bosses'. This way 153 questionnaires were sent out, resulting in 88 returned useable questionnaires, bringing the response-rate up to 58%.

An interesting note: all sales managers stressed the fact that, although they themselves were in favor of this study and would certainly encourage their sales staff to submit the questionnaire, they were in no position to use their authority to guarantee everybody's cooperation. This 'democracy in the workplace', this far-reaching degree of freedom for workers, is highly characteristic of the Dutch work ethic, where bosses do not command their subordinates, but 'kindly request' them to perform a task.⁴ One main reason for salespersons to abstain might have been the questionnaire length, as was already indicated in the pilot tests.

Criterion variables

Three effectiveness measures were used as dependent variables for the hypotheses testing⁵:

- Gross margin (a percentage).
- Gross profit: annual sales volume (in Dfl.) x gross percentage profit per 12 months.
- Target reached: the actual percentage of the fixed target reached. ("Actual sales volume you generated to sales quota ratio", in SFER-2 parlance.)

These measures were in line with the advice given by Churchill, Ford & Walker (1993), to judge sales people solely on factors over which they can exercise control. Although these effectiveness measures may not be perfect, they are meaningful and yielded data that could be worked with.

RESULTS

Tested against the three criterion variables the following results were obtained:

³ This information was obtained through telephone inquiries with these companies.

⁴ Sending out reminders to the sales personnel was not feasible, since they were anonymous to the researcher. (The sales managers did receive telephone calls from the researcher and a written reminder on the status of the response-rate.) The deadline for the return of the questionnaires was also postponed to secure a higher response-rate.

⁵ Strictly speaking no effectiveness criteria were obtained in the present study, since the sales managers' objectives/quotas (and those of other executives) for individual salespersons were lacking. The assumption was made here that salespersons are aware of these objectives.

Table 1. Tested hypotheses

Hypothesis	Item/criterion	Effectiveness variable	Correlation (Pearson)	P (One-tailed)
H1 ⁶	Q13A	Gross margin	.1412	.308
H1	Q13B	Gross margin	.4423	.017
H1	Q13A	Gross profit	-.3246	.110
H1	Q13B	Gross profit	.3126	.073
H1	Q13A	Target reached	-.0049	.490
H1	Q13B	Target reached	.2056	.102
H2 ⁷	Q11	Target reached	.0767	.266
H2	Q11	Gross margin	.3453	.014
H2	Q11	Gross profit	.3717	.009
H2	Q12	Gross margin	.2279	.079
H2	Q12	Gross profit	-.0456	.391
H2	Q12	Target reached	-.1087	.189

Conclusions

H1 was expected to get non-significant results ($p > .05$). Only one test yielded significance at the .05 level, and 1 at the .10 level, but it should be added that this may be coincidence, since the numbers of items were very small here. It can be assumed that only a few of the trained salespersons either remember how much was paid for them or were not aware of the amount, since the course may have been arranged by a personnel manager, for instance. Only 6% of the respondents claim to have spent their own money on training (Q13B). Since the range is rather large (Dutch Guilders 4200), the mean amount of approximately Dutch Guilders 160 is rather meaningless. It is not clear if funding one's own training signifies a strong motivation or is more strongly associated with a self-perceived lack of knowledge and/or skills.

H2: out of six tests two gave significant ($p < .05$) results (gross profit and gross margin), with an added result at the .10 level, leading to a cautious confirmation of this hypothesis. The table below presents a summary of the tests:

Table 2. Significance of results

	$p < .05$	$p < .10$	$p < .15$	Non-sign. ($p > .15$)
H1	1	1	2	2
H2	2	1	0	3

⁶ There is a highly significant correlation between the training expenditures spent by the company (Q13A) and by the SP (Q13B) himself of .3982; $P = .020$.

⁷ The correlation between Q11 x Q12 is .4550 ($p < .001$), meaning that not much differentiation was made by salespersons between training programs and training courses. Or, alternatively, that if a salesperson is invited to participate in a training program then the chance of getting invited for a course is high.

Three analyses were carried out to check if statistically significant differences could be found between trained and non-trained SPs, based on the number of courses participated in (Q11) and measured against the three effectiveness criteria.

A crosstabs χ^2 with gross margin ($n=40$) yielded a linear-by-linear association of 1.91602 ($DF=1$), with a p-value of .16630. A second crosstabs χ^2 with gross profit ($n=41$) yielded a linear-by-linear association of 5.28679 ($DF=1$), with a p-value of .02149. A χ^2 with target reached (recoded into a nominal scale with realised targets of up to 99% as 0 and 100 and over as 1) yielded a contingency coefficient of .03246 (sign. .78731). It can therefore be concluded that there is, once again, limited indication that training has an impact on effectiveness. The training offers made available to the salesforce (in-house or through external suppliers) are put in the following table:

Tables 3. Types of courses offered to the salesforce and their rated importance

Type of course	n	% ⁸	n ⁹	Mean degree of importance ¹⁰	SD
Market knowledge	80	62.5	74	4.541	.831
Industry knowledge	80	26.3	52	3.808	1.205
Comm. skills	80	43.8	65	4.308	.900
Strategic markets	80	22.5	49	3.796	1.04
Strategic products	80	31.3	55	3.927	.979
Corporate strategies	80	27.5	54	3.852	.920
Marketing strategies	80	32.5	55	3.891	.936
Listening skills	80	25.0	52	4.096	.869
Handling complaints	80	52.5	68	4.221	.770
Sales skills	80	50.0	63	4.413	.835
Product awareness	80	78.8	75	4.733	.475
Telephone skills	80	37.5	59	4.119	.996
Customer service	80	30.0	54	4.167	.966
Handling dm's	80	18.8	48	3.979	.956
Negotiation skills	80	36.3	59	4.196	.769
Handling objections	80	37.5	60	4.167	.827
Team-building techniques	79	17.7	50	4.0	.904

It appeared that the programs that would offer *direct financial benefits* are considered to be of most importance (e.g. market- and product knowledge, sales skills). Of the many training programs offered by the company to salespersons, only market knowledge (which is also the second most widely offered course) may impact the salesperson's effectiveness ($r = .2125$; $p < .05$; Pearson, one-tailed).

⁸ Given to department.

⁹ Various reasons could explain the increasing number of missing reactions. They may be due to respondents' 'fatigue' or irritation, but also to the fact that no specific training programs were received and that they are not thought to be of any importance. (This can be a true individual opinion, or the company's view that is being confirmed by the salesperson).

¹⁰ The closer to 5, the more important this course is considered to be.

Can the training programs be grouped together? A factor analysis (PCA) yielded the following factors, with a satisfactory KMO¹¹ of .88089, Bartlett Test of Sphericity of 830.93126, sign. at 0.0000 and with only Eigenvalues of >1.0, explaining altogether 64.7% of the variance:

Table 4. Factor analysis of courses offered

Factor	Eigenvalue	% of Variance
1	7.95234	46.8
2	1.84406	10.8
3	1.20568	7.1

Factor 1 seemed to be basically training for *people skills* (skill-based programs), factors 2 and 3 are both knowledge- (cognition) based programs.

People: the most important asset?

The following table highlights the (modest) role that training is playing in the paper industry.

Table 5. Number of formal courses and training programs received during the past 12 months

Number of formal training programs	n = 73	%
0	32.9	
1	28.8	
2	24.7	
3	8.2	
4	5.5	
Mean	1.247	
SD	1.164	

Surprisingly, one third of the sample has not received any training at all during the past 12 months. This seems rather strange, and is unexpected, since modern companies claim that their people are their most valued assets and need to be informed and trained constantly, to keep them in shape in a competitive marketplace¹². These claims may not hold up for the Dutch paper wholesale industry, a market that is stable, with few new products offered, so that few benefits can possibly be gained from training. Alternative explanations may be that the salespersons are already well-trained, or that their sales managers or the management do not believe in training, or do not want to fork out the money.

What salespersons did receive training? All companies had (to a different degree) salespersons who were trained over the last 12 months. Training was reasonably distributed over the age groups, whereby the youngest age group had the highest chance of receiving training. Trained salespersons got almost seven days off for further education, which seems to be a fair amount, based on anecdotal evidence.

¹¹ According to Norusis (1994) "Kaiser (1974) characterizes measures in the .90's as marvelous, in the .80's as meritorious, in the 70's as mediocre, in the .50's as miserable, and below .5 as unacceptable.

¹² The fact that certain training programs are offered does not necessarily imply that SPs attend these courses.

DISCUSSION

Various issues can be raised. The effectiveness criteria applied were self-monitored: how reliable are the obtained data? Do salespersons know the data requested by the researcher? And are these truthful?

The branch of industry investigated may be typical for old and established markets that are divided up by a limited number of merchants and with few product innovations. So training may not matter much in this market.

The actual training results were not studied, but instead, the training programs offered to the salesforce, in line with SFER-2. This may have caused different results from a more direct question about courses that salespersons have participated in. Furthermore, the sum of money spent does not say anything on *how well* it was spent. Measuring the quality of a training program is obviously difficult to measure. It should be added that the *Law of Diminished Returns* might play a role here. Too much training (whatever that is) may become ineffectual, because: 1. it competes directly and interferes with selling time. 2. after having reached a certain cognitive or skill level a plateau may be reached. (It can be speculated if this takes the form of an inverted U-curve.)

For clarity's sake: the present research is a population study, no samples were taken and consequently no generalisations could be made to the entire paper industry, or for that matter, to other industries. The question of generalisability of the results should not be of great concern. Building up a number of sample and population studies this way means creating a reservoir of data, possibly all pointing towards the same direction. In other words, it is increasing the reliability by "building an ever more accurate picture of reality" (Berthon, Money & Pitt, 1996).

IMPLICATIONS FOR MANAGEMENT

Sales training may be effective, that is the time spent on and with this activity, more so than the training budget or contents. This may point to attention and recognition for the salesperson, highlighting the role that the *human relations aspect* should be playing in sales management.

SUGGESTIONS FOR FURTHER RESEARCH

Avenues for further research can be found in comparing old and established markets with more turbulent markets, in regard with various sales training aspects. Is it typical for any relatively stable and mature branch of industry (with few product innovations) to spend little time and money on training? Or is it that they don't need it because they are already performing so well? And if so, will their effectiveness erode in the long run? Another interesting avenue would be comparing self-monitored data with cross-validation data (from e.g. sales managers' evaluations, supplier reactions).

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AN INVESTIGATION OF THE SELLING SITUATION AND CUSTOMER-ORIENTED SELLING

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ABSTRACT

This study examines whether product type and customer type influence the degree to which salespeople practice customer-oriented selling. Three hypotheses are tested using a national sample of 402 salespeople. Findings indicate that product type and customer type do not affect customer-oriented selling performance.

INTRODUCTION AND STATEMENT OF THE PROBLEM

Organizations have increasingly demonstrated their interests in the total quality management (TQM) movement by incorporating customer satisfaction, service quality, and long-term profitable relationships as an integral part of their overall business strategy. Although companies may have several different groups of individuals within the organization who are responsible for customer satisfaction (Hoffman and Ingram 1992), one of the most visible and influential groups is the salesforce. Since salespeople are in a boundary spanning role between the customer and the organization, they are in a critical position to impact a firm's service and quality-oriented goals. As a means for achieving these goals, many firms have encouraged salespeople to engage in customer-oriented selling which is the practice of the marketing concept at the level of the individual salesperson and customer (Saxe and Weitz 1982). It is acknowledged as an accepted practice by many organizations, however a complete understanding of it is presently lacking (Hoffman and Ingram 1991). Although firms may reap many benefits when their salespeople practice customer-oriented selling, little is known about its effectiveness or the factors influencing the extent to which salespeople actually engage in it (Saxe and Weitz 1982). As a tenet of teaching and an acknowledged marketing practice, customer-oriented selling is deserving of theoretical and empirical examination. Saxe and Weitz (1982) posed the question "Is customer-oriented selling universally effective, or does its effectiveness depend upon the nature of the sales situation?" (p. 343). This question prompted several researchers to investigate customer-oriented selling using Saxe and Weitz's (1982) Selling Orientation-Customer Orientation (SOCO) scale (Brown et al. 1991; Dunlap et al. 1988; Hoffman and Ingram 1991, 1992; Kelley 1990, 1992; Michaels and Day 1985; O'Hara et al. 1991; Siguaw et al. 1994). Their findings indicate that antecedents of customer-oriented selling may not be consistent across different selling environments. O'Hara et al. (1991) suggested that (1) the nature of the product or service, (2) the job itself, or (3) some combination of the two, may influence whether or not salespeople engage in customer-oriented selling. This research will attempt to address some of these questions. Therefore, the purpose of this study is to address whether the product type (i.e., good or service) affects the salesperson's practice of customer-oriented selling; whether one aspect of the job itself, customer type (i.e., organizational or individual selling), affects the practice of customer-oriented selling; and whether the combination of product type and customer type influences customer-oriented selling.

LITERATURE REVIEW AND HYPOTHESES

Concern for their customers, diagnosing their needs, aiming to increase their long-term satisfaction, and participating with customers in resolving their product or service problems are characteristics of the customer-oriented selling approach (Saxe and Weitz 1982). This customer-orientation is in sharp contrast to the traditional "selling concept" or selling orientation which focuses on hard-sell, high-pressure tactics, and little concern for the customer's long-term satisfaction (Hart, Moncrief, and Parasuraman 1989). Saxe and Weitz (1982) developed the Selling Orientation-Customer Orientation Scale (SOCO) to assess the degree to which salespeople engage in customer-oriented selling. In the initial scale development phase, Saxe and Weitz (1982) found that customer-oriented selling behaviors were expected to occur when: 1) the salesperson can offer a range of alternatives and has the expertise to assist customers; 2) customers are engaged in complex buying tasks; 3) a cooperative relationship exists between the salesperson and customers; and 4) repeat sales and referrals are an important source of business (p. 348). Lower customer-oriented selling scores, which are considered to be analogous to the selling concept, were negatively related to a conflict of interest with their customers (Saxe and Weitz 1982). Several researchers have explored the relationships between customer-oriented selling and other variables such as job satisfaction, job tenure, motivation, etc., using samples such as customer contact employees, health care providers, real estate buyers and brokers, and advertising and industrial salespeople (c.f., Dunlap et al. 1988; Kelley 1990, 1992; Hoffman and Ingram 1991, 1992; O'Hara et al. 1991; Siguaw et al. 1994). Of all the variables examined using the SOCO scale, very

few showed the same relationship to customer-oriented selling when replicated with another study or sample. Prior research suggests that the antecedents of customer-oriented selling performance may not be consistent across different selling environments. Perhaps the diverse nature of the samples studied or the job themselves resulted in different relationships to customer-oriented selling. As O'Hara et al. (1991) suggested, perhaps the type of product sold (i.e., a good versus a service) is also an antecedent of the customer-oriented selling approach. Many unresolved issues remain regarding customer oriented selling and are deserving of further empirical investigation. Yammarino and Dubinsky (1990) suggested that, in studies where product or customer type are not contrasted, "there is an implicit assumption that "the relationship between performance and such antecedents is applicable to salesperson viewed only as individuals" (p. 88).

Products are defined as "any good, service, or idea that satisfies a need or want and can be offered in an exchange" (Skinner 1994, p. 9). Goods are tangible items, services are intangibles that may require human or mechanical effort, and ideas are philosophies, concepts, or images (Skinner 1994). This research will only address goods and services. The reason for including product type and customer type in this research is because not all sales jobs are alike. Churchill et al. (1990) suggested that one reason why comparisons of sales studies often yield different results is due to the differences between sales jobs. Furthermore, because different skills and abilities are needed for different sales positions, including all types of different positions together in one study, without accounting for job type, may lead to inaccurate or uninterpretable results (Sumrall 1992). Several taxonomies have been developed to classify sales positions such as industrial sales (McMurray 1961; Moncrief 1986; Newton 1973), telemarketing sales (Moncrief et al. 1989), and health care sales (Sumrall 1992). These taxonomies support the notion that personal selling comprises many different classifications of sales jobs according to product type, customer type, and types of activities performed. In their meta-analysis of the determinants of salesperson performance, Churchill et al. (1985) identified product type and customer type as variables that "might affect the observed relationship between sales performance and various predictors of that performance" (p. 110). They pointed out that "Product type and customer type clearly overlap in that certain types of goods and services are sold to either institutional customers or individual customers but not both. However, certain other goods and/or services might be sold to either type even though the product is primarily a consumer good or an industrial good" (p. 113). It is important to understand some of the differences between selling goods and selling services because the selling priorities and activities are different for each type of product. According to Sumrall (1991) "service sales jobs are considered not only different, but more difficult than tangible-product sales jobs" (p. 10). Furthermore, Keenan (1990) suggested that people who sell services make more money, take bigger risks, go after bigger rewards, and are generally more influential than their counterparts in consumer and industrial goods sales. There are two basic customer classifications in personal selling: the individual customer and the organizational customer (Wind 1982). An excellent way to understand the difference between these two types of customers is by comparing them within their respective consumer market and the organizational market. The consumer market consists of individuals or people in households who plan to benefit from the purchased products and who do not buy products for the purpose of making a profit (Wind 1982). Thus, the people included in the consumer market are called individual customers. Those who purchase products for resale, for use in the production of other products, or for use in daily operations are considered part of the organizational market (Wind 1982). The organizational market is often referred to as the institutional market, industrial market, or business market. Differences between individual customers and organizational customers are important to understand because the selling priorities and activities are different for the consumer market and the organizational market. In depth discussions of the differences between the consumer market and organizational market have been presented in the marketing literature (c.f., Marks 1994). Zeithaml et al. (1985) examined the business practices of service firms according to their primary customer group (i.e., individuals or institutions). They found several differences between the strategies of the service firms with institutional (i.e., organizational) customers as a primary customer group, and the strategies of service firms with individual customers as a primary group. Some of the notable differences between these two types of service firms include their views regarding advertising appeals, their degree of market orientation, and their market response to demand fluctuations (p. 43). This suggests that the type of customer may be a factor accounting for differences observed in marketing phenomena.

Churchill et al. (1985) provided empirical evidence to support the notion that product type moderates the relationship between performance and determinants of that performance. According to Keenan (1990) people who sell services make more money, take bigger risks, and go after bigger rewards compared to their counterparts in consumer and industrial goods sales. Therefore, it may be inferred that service sellers are more financially-oriented than those who sell goods. As such, it follows that service sellers may also be less customer-oriented than those selling goods. The first hypothesis below tests for differences in customer-oriented selling performance according to the type of product sold. H1:

Those who sell goods will have significantly higher customer-oriented selling scores than those selling services. Churchill et al. (1985) meta-analysis also provided empirical evidence to suggest that customer type moderates the relationship between performance and determinants of that performance. For two of their determinants, organizational factors and role perceptions, the greatest customer type moderating effect on performance occurred when salespeople were selling to organizations (Churchill et al. 1985). Furthermore, Saxe and Weitz (1982) posited that customer-oriented selling behaviors are most likely to occur when customers are engaged in complex buying tasks. Compared to the consumer market, the organizational market is generally more concentrated, consists of more decision makers, makes more purchases and makes larger sizes of orders (Marks 1994). Thus, it is predicted that customer-oriented selling is more likely to occur for those selling to organizations compared to those selling to individuals. Hypothesis 2 below tests for differences in customer-oriented selling performance according to customer type. H2: Those who sell to organizations will have significantly higher customer-oriented selling scores than those selling to individuals. Using product type and customer type together, four possible combinations can exist for a salesperson. These include 1) selling goods to individuals; 2) selling services to individuals; 3) selling goods to organizations; and 4) selling services to organizations. Although salespeople may engage in more than one of these selling combinations, it is assumed that most salespeople will have a primary focus in only one of these areas. Based on the proposed directions for hypotheses 1 and 2 above, it follows that the third possible combination of product type and customer type (i.e., selling goods to organizations) should yield the highest levels of customer-oriented selling performance. Hypothesis 3 below tests this assumption. H3: Salespeople who primarily sell goods to organizations will have the highest level of customer-oriented selling performance compared to those who primarily sell goods to individuals, services to organizations, and services to individuals.

METHODOLOGY

An important goal of this study is to obtain a cross-section of responses from each of the following categories: selling goods to individuals, selling services to individuals, selling goods to individuals, and selling goods to organizations. A judgmental sample of organizations was selected as potential participants in this study. Some of the industry types represented included: animal pharmaceuticals, cosmetics, financial services, heavy construction equipment, advertising, business forms and publishing, real estate, and wax products. Organizations agreeing to participate either provided a mailing list to the researcher or issued the surveys to a randomly selected number of salespeople through their normal distribution system within their company. A total of one-thousand salespeople were provided a cover letter, survey, postage-paid return envelope, and a letter of support from a manager in each organization. Of the 1,000 questionnaires mailed, 443 were returned within one month of study implementation. Of those received, 41 were judged to contain an extreme amount of missing information (more than 50% of the questions) and were thus excluded from the analysis. Therefore, 402 usable surveys were included in the analysis, yielding a 40.2% response rate for this research. The degree to which customer-oriented selling is performed was operationalized by the SOCO Scale (Saxe and Weitz 1982). This balanced, numerical rating scale asks salespeople to indicate the proportion of customers with whom they act as described in 24 statements (12 positively and 12 negatively stated items). Salespeople may select any number between one and nine where 1 = none of your customers and 9 = all of your customers. Higher scores are associated with customer-oriented selling and lower scores are associated with an orientation toward the selling concept (c.f. Saxe and Weitz 1982). The SOCO scale demonstrates a high level of internal consistency, moderate stability, and evidence of content, convergent, discriminant, known groups, and nomological validity (Saxe and Weitz 1982). Prior to use in the statistical analyses, the SOCO scale was examined for reliability through Cronbach's alpha. Nunnally (1978) suggests that coefficients above .60 are generally considered acceptable for research purposes. The reliability coefficient for the SOCO scale (Saxe and Weitz 1982) in this study was .8588. Product type was operationalized by asking respondents what percentage of their time they devote to selling goods (i.e., tangible products/goods) and what percentage of their time they devote to selling services (i.e., intangible products/services) to their customers. Customer type was operationalized by asking salespeople what percentage of their time they devote selling to individuals (i.e., individuals/households/families) and what percentage of their time they devote selling to organizations (i.e., organizations/institutions/firms). The frequencies and percentages for the primary customer type and primary product type were computed by placing subjects into each class. For example, if a subject stated that he/she sells products 60% of the time and sells services 40% of the time; and sells to organizations 90% of the time and individuals 10% of the time, this subject was placed into the "Goods" and the "Organizations" categories. There was only one 50%-50% percent split in the sample which was excluded for this particular analysis.

RESULTS, LIMITATIONS, DISCUSSION, AND SUGGESTIONS FOR FURTHER RESEARCH

Using a cross-tabulation analysis, a 2x2 contingency table of mean scores for customer-oriented selling according to product type and customer type is presented in [Table 1](#). The 2-Way ANOVA results in [Table 2](#) below reveal that there were no statistically significant differences in customer-oriented selling performance according to customer type ($p = .232$) or product type ($p = .111$). Thus, Hypotheses 1 and 2 are rejected. [Table 2](#) also reveals that there were no statistically significant differences in customer-oriented selling when examining the interaction of customer type and product type together ($p = .593$). Thus, Hypothesis 3 is rejected as well. Numerous extraneous variables not accounted for can interfere with understanding the results of this research. The period of data collection was one month, and in relative terms, this is not long. Furthermore, this was a cross-sectional research design so temporal relationships could not be determined. Because efforts were made to obtain a heterogeneous sample of U.S. salespeople, study results may be generalized with caution to all salespeople. It is unknown whether or not this sample adequately represented the population on the product type and customer type variables. Presently, no published sources provide statistics on these particular distributions. Another limitation may be due to the measurement of some of the variables in this research. Customer type and product type were measured with single-item scales, using very specific categories, and treated dichotomously in this research. As an example for the product type question, subjects were asked to indicate the percentage of time they spent selling tangible goods or intangible services, and then they were placed into one primary category. While the product type in this research was examined according to its degree of tangibility, there are other ways it could have been defined, which ultimately may have changed the results for these hypotheses. Some different ways for defining product type could be its stage in the product life cycle or the classification schemes typically used for consumer products (i.e., convenience, specialty, etc.) and organizational products (i.e., production goods, support goods, etc.). On a similar note, customer type was also assessed within a very specific dichotomy: individual customers and organizational customers. These also could have been treated as interval-level variables, or even further classified into categories such as whether the customer is a first-time buyer or repeat customer. Subjects possibly may have had difficulty defining the various categories used to measure customer type and product type in this research. For instance, a person selling residential real estate may have viewed the selling of a house as a "service" that they provide for a customer, or they may have viewed the final product sold (i.e., a house) as a "tangible good".

This research has attempted to gain a deeper understanding of the factors influencing customer-oriented selling. This study revealed that the nature of the selling situation (i.e., product type and customer type) did not have a significant influence on customer-oriented selling. This indicates that most types of products and/or aspects of the job itself are indeed conducive for the practice of customer-oriented selling. One of the major implications of this research is that factors, other than product and customer type, may be accounting for differences in customer-oriented selling performance. A possible explanation for these unpredicted findings may be due to the increased adoption total quality management (TQM) type philosophies by many companies (Deming 1986). One important aspect of TQM is a strong customer orientation. Perhaps many U.S. companies have adopted TQM, and, have also successfully transmitted these principles to their salespeople over time. As a result, it is possible that these philosophies are so widespread today that a customer-oriented selling approach is not contingent upon the product type or customer type. Customer-oriented selling may be considered the only way to sell successfully in the 1990's, regardless of what you are selling and to whom you are selling. Because customer-oriented selling performance does not appear to vary by customer type or customer type, the practice of customer-oriented selling is not limited in this respect. Sales managers can encourage a customer-oriented approach for all different customer types and product types. Companies encouraging "hard-sell" techniques should understand that other methods may work just as well. Researchers may want to explore how customer-oriented selling varies based on other characteristics of the sales job. This suggestion was also posed by O'Hara et al. (1991) Moncrief's (1986) taxonomy of industrial sales jobs could be used as a starting point. Unfortunately, this taxonomy is limited to industrial (i.e., organizational) selling, and seems be geared towards the selling of goods only. Therefore, researchers are urged to develop a more current taxonomy reflecting industrial and consumer selling for the selling of both goods and services. This would enable researchers to fully examine the relationship of customer-oriented selling with characteristics of the sales job. Researchers may also wish to employ a longitudinal study to examine if customer-oriented selling relationships change over time. The relationships of customer-oriented selling and stages in the career life cycle is also a fruitful area for future research. An examination of these relationships in an international context can be made between different international settings as well.

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Table 1: Cross-tabulation of Mean Scores for Customer-Oriented Selling According to the Combination of Customer Type and Product Type (Customer-Oriented Selling Sample Mean = 192.349, Range = 110 - 216)

		PRODUCT TYPE		
		<i>Goods</i>	<i>Services</i>	<i>Row Statistics</i>
CUSTOMER TYPE	<i>Organizations</i>	190.90 (n=207, 51.6%)	192.93 (n=30, 7.5%)	191.6 (n=237, 59.2%)
	<i>Individuals</i>	192.55 (n=107, 26.7%)	196.93 (n=57, 14.2%)	194.1 (n=164, 40.8%)
<i>Column Statistics</i>		191.5 (n=314, 78.4%)	195.6 (n=87, 21.6%)	

Table 2: 2-way ANOVA of Customer-Oriented Selling According to Customer Type and Product Type

<i>Source</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>p(F)</i>
Main Effects	2	780.88	2.65	.072
Customer	1	422.20	1.43	.232
Product	1	736.99	2.50	.114
2-Way Interaction	1	84.43	.29	.593
Explained	3	548.73	1.86	.135
Residual	397	294.46		
Total	400	296.36		

EFFECTS OF SALESPERSON ATTRACTIVENESS ON CONSUMER PERCEPTIONS OF SERVICE QUALITY: A CONCEPTUAL FRAMEWORK

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ABSTRACT

This paper addresses service situations in which the salesperson is also the service provider. A conceptual framework is presented that is used to explore the impact of salesperson attractiveness on consumer perceptions of service quality. This paper builds upon the growing stream of service quality literature by exploring the variables which moderate the attractiveness - service quality relationship. Key managerial and research implications are discussed.

INTRODUCTION

Service quality can be divided according to two levels: technical quality and functional quality. Technical quality refers to how well the core service meets customers' expectations; while functional quality refers to how the service production and delivery process itself is perceived (Gronroos 1982). This dual concept suggests that service is judged not only on the quality of the output, but also on the quality of the interaction established by the service provider (Gronroos 1982). In fact, while service evaluations are based partially on the outcome of the service received, the service delivery process, particularly the nature of the customer-employee interaction, dominates customer evaluations (Parasuraman 1987). Consequently, customers rely on process components inherent within the service encounter in order to make evaluative judgements regarding the quality of the service they receive.

Two common process components involve the service environment and the characteristics of the service provider. The service environment includes the effects of atmospherics (physical design and decor elements) on consumers and workers, and provides customers with cues as to the quality of the service encounter -- often before the actual service is produced (e.g., Baker 1987; Bitner 1992). The characteristics of the service provider include appearance and demeanor (e.g., Booms and Nyquist 1981), but little research has been conducted to examine their influence on customer perceptions of functional quality.

Functional qualities of service providers are particularly interesting when we consider situations wherein the salesperson takes on the additional role of service provider, as is frequently the case in the hospitality, health care and personal fitness industries. Although the effectiveness of employing attractive spokespersons and models has been well documented in advertising literature (Baker and Churchill 1977; Belch, Belch, and Villareal 1987; Caballero and Pride 1984; Joseph 1982; Kahle and Homer 1985), little research has been directed toward understanding the effects of salesperson attractiveness on consumer evaluations of service quality when the salesperson is also the service provider.

Accordingly, the primary purpose of this paper is to present the development of a conceptual framework which explores the impact of salesperson physical attractiveness on perceived service quality, and a secondary objective is to investigate how various moderating variables, such as the nature of the service and criticality of service consumption, impact the attractiveness-service quality relationship. This paper begins with a review of the current literature related to attractiveness and then presents a proposed conceptual framework which delineates the key relationships. Following the framework presentation, theory and research is utilized to further develop the moderating factors which influence how physical attractiveness impacts service quality perceptions. These factors are then utilized to develop research propositions related to attractiveness and perceived service quality. The paper concludes with a discussion of implications and directions for further research.

THE PHYSICAL ATTRACTIVENESS CONSTRUCT

If a marketing message can be defined as "what" is said and "how" it is said, then the source of a marketing message can be described as "who" says it. Within any service encounter, it is important to understand the attributes of the

source, i.e. the service provider. Three basic attributes contribute to a source's effectiveness, including power, credibility, and attractiveness (Shimp 1989). The attractiveness attribute affects consumer attitudes and behavior by way of identification (Kelman 1961).

Source attractiveness consists of three related ideas: similarity, familiarity, and liking. A source is considered attractive to receivers if they share a sense of similarity or familiarity with the source, or if they simply like the source; or if they simply like the source regardless of whether the two are similar in any respect (Shimp 1989). Despite the vast quantity of literature addressing physical attractiveness, there is little agreement on what constitutes the construct. A review of the area indicates that attractiveness is not-unidimensional and that there are myriad definitions used to operationalize it. For example, the construct has been defined both in terms of facial and physical attractiveness (Baker and Churchill 1977; Caballero and Solomon 1984), with physical attractiveness operationalized in terms of model attractiveness, chicness, sexiness, sexualness and likability.

A considerable body of research in advertising and communications suggests that physical attractiveness is an important cue in an individual's initial judgement of another person (Baker and Churchill 1977; Joseph 1982; Kahle and Homer 1985; Mills and Aronson 1965). Joseph (1982) summarized the experimental evidence in advertising and related disciplines regarding a physically attractive communicator's impact on receiver's opinion change, attitudes, behaviors and other dependent measures. He concluded that attractive communicators are consistently liked more and have a positive impact on products with which they are associated. Joseph's findings are consistent with others that report that increasing the communicator's attractiveness enhances positive attitude change (Kahle and Homer 1985; Simon, Berkowitz, and Moyer 1970). Specific findings within this area can be summarized as follows: 1) attractive models increase a communicator's effectiveness in a limited way; 2) attractive models produce more favorable evaluations of ads and advertising products than do less attractive models; and 3) physically attractive communicators are more liked than unattractive communicators.

Physical attractiveness serves as a strategic tool for increased marketing effectiveness, and determines the effectiveness of persuasive communication (Patzer 1985; Caballero, Lumpkin, and Madden 1989). Based on the premise that the level of physical attractiveness can increase marketing effectiveness for all type of organizations, we suggest that this relationship may be extended to service situations and the level of customer satisfaction associated with a physically attractive salesperson who is also the service provider.

A CONCEPTUAL FRAMEWORK

A conceptual framework is proposed here which more fully explains the impact of the salesperson's level of attractiveness upon perceived service quality. The framework is concerned first with the relationship between attractiveness and service quality, and second with the variables which moderate the effects of attractiveness. Attractiveness functions as the independent variable which affects the dependent variable, perceived service quality. Several key variables have been identified as moderators of attractiveness.

The first of the moderating variables is based on the works of Ostrum and Iacobucci (1995) and deals with a criticality measure of services where encounters are classified as critical and non-critical depending upon the consumption situation in question. The other key variable that can moderate the effects of attractiveness concerns the nature of service. The literature has classified service nature according to judgement difficulty, either experience-based or credence-based services. It is our intent to examine provider attractiveness--quality perception relationships across these service categories because these provide the widest classification of all possible service situations.

The conceptual model is presented in [Figure 1](#). Propositions are developed in the following discussion.

Attractiveness--Service Quality

As discussed earlier, a review of attractiveness literature indicates that physical attractiveness of a communicator (or salesperson) can impact an individual's (customer's) initial judgement of the communicator (Baker and Churchill 1977; Joseph 1982; Kahle and Homer 1985; Widgery and Ruch 1981) and can ultimately influence a customer's perceptions of overall marketing outcomes (Patzer 1985). We anticipate that physical attractiveness can provide indirect cues about the

quality of the service delivered. Thus, it is logical to anticipate that physical attractiveness will have a positive effect upon the level of perceived service quality. Accordingly, it is proposed that:

P1: The higher the consumer perception of salesperson attractiveness, the higher the level of perceived service quality.

Criticality of Consumption

In order to investigate the level at which service quality is affected by salesperson level of attractiveness, it is important to gain an understanding of the factors which influence a customers' reaction to a service encounter. One major factor which influences a customer's reaction is the situational variable called criticality. Service criticality can be defined as the perceived level of importance that a customer places on a service encounter (Ostrom and Iacobucci 1995). Research has shown that as perceived criticality increases, the intensity of consumers' attitudes also increases (e.g., Ostrom and Iacobucci 1995; Webster and Sundaram 1997). We would anticipate that under high critical service encounters, attractiveness would be less of an issue in inferring about the quality of service delivered. Instead, a customer would focus more on the attributes of the service delivered (reliability, care, empathy, etc.) to infer about the quality of service. Based upon this understanding, it is expected that as the level of criticality increases, the degree to which attractiveness affects perceived service quality will decrease and vice versa. Accordingly, it is proposed:

P2: Salesperson attractiveness will have a greater significant positive effect on service quality perception in low-critical situations than in high-critical situations.

Nature of Service

An important discriminating variable used to categorize service encounters is the level of difficulty associated with the evaluation of the service. The first type of service experience, regards those that can be evaluated only after consumption or purchase has occurred. Examples may include a hair cut or a meal at a restaurant. The second type of service category, credence, is more nebulous, and thus, is more difficult to evaluate. Examples of credence services include legal or psychiatric services (Ostrom and Iacobucci 1995; Zeithaml 1981). Experience services are often more standardized, thus involving less risk. By contrast, a credence service will entail a higher degree of customization, thus requiring considerably more personal intervention on the part of the service provider (Guiltanan 1987; Zeithaml 1981). Similarly, the inherent variability and non-standardized nature of credence services leads to increased buyer uncertainty and risk (Ostrom and Iacobucci 1995).

Research has shown that consumers' desired service attributes depend on service nature, that is, whether the service is more experience or credence. As credence based services are difficult to evaluate, customers are more likely to rely on provider related characteristics (appearance, expertise, etc) in inferring about the quality of the service delivered. On the other hand, customers of experience services are less likely to depend upon provider attractiveness as an evaluation cue. Based upon these premises, an experience oriented service will require a lower level of provider attractiveness than will a credence-oriented service. Accordingly:

P3: Salesperson attractiveness will have a significant positive effect on customers' perception of service quality for credence services.

P4: Salesperson attractiveness will have little effect on customers' perception of service quality for experience oriented services.

APPLICATIONS AND CONCLUSIONS

The appearance-service quality relationship has been previously under-researched. Accordingly, this paper has attempted to begin to organize inquiry into this area by identifying the likely relationships and moderating effects. Included in this effort was the development of a conceptual framework which incorporates the nature of services and the criticality of consumption as two types of moderating variables. Finally, four propositions were developed that indicate the directionality of the moderating effects.

This research raises several challenging managerial implications for marketers who want to raise their firm's level of service quality. Because of recent legislation and court decisions related to hiring practices, managers must be careful in their assessment of potential employees. A hiring process based solely on appearance could prove to be fraught with peril. Yet, appearance must necessarily be one important element in the selection process. Marketers should assess the nature of their service along with the criticality of consumption for their target customers in assessing just how important salesperson appearance is. But more research is necessary to provide clear guidance.

Opportunities for future research consist of empirically testing the model either in whole or in part, then testing across a sample of different service industries in order to establish generalizability. Further research is needed to understand the degree and extent to which appearance affects service quality perception in a variety of situations. For instance, what happens when there are multiple sales people involved in service provision? Does the inclusion of one extremely attractive salesperson overcome the inclusion of an unattractive one? Do the proposed relationships hold across various social, psychometric and demographic strata? What is the impact on the relationship by other marketing variables, such as involvement level, brand switching tendency, brand loyalty, and service quality perception over time? Finally, does the objective of the service (e.g., services for people, services for people's belongings) moderate the relationship?

This research has taken an initial step towards a better understanding of the role of sales person appearance in service quality perception, and in this respect, has made a contribution to inquiry. Our hope is that this paper will stimulate additional effort on the part of marketing scholars directed at the attractiveness-service quality relationship.

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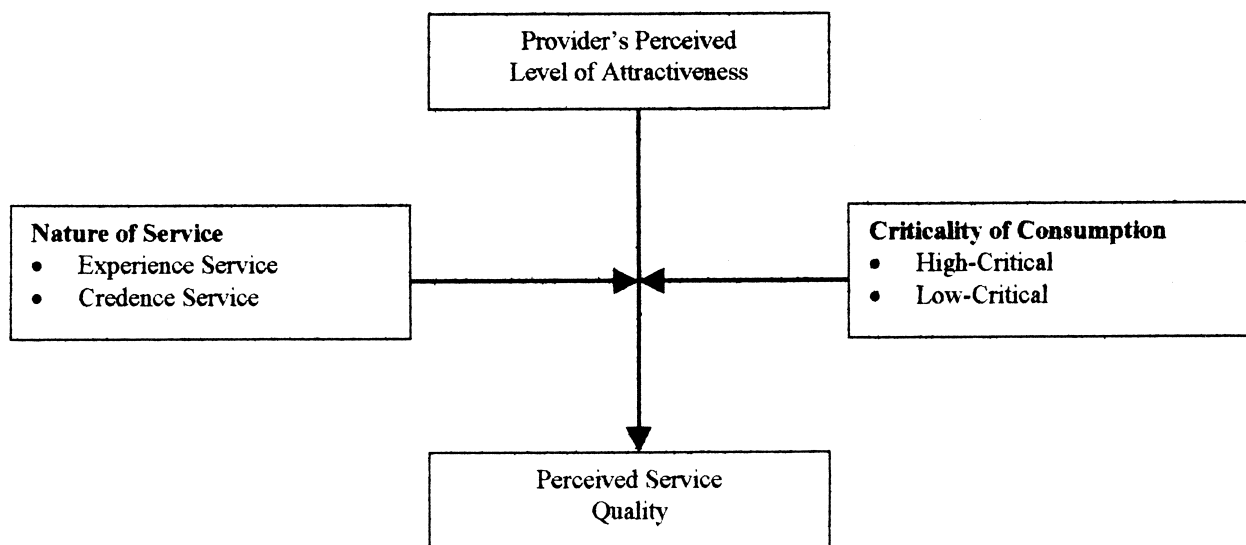
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Figure 1: Conceptual Framework of Salesperson Attractiveness and Service Quality Perception



CONJUGAL SALES AGENTS: COPRENEURS OR SELLING TEAMS?

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ABSTRACT

This preliminary study identifies factors responsible for the conjugal sales agent arrangement in the residential real estate industry. It was found that such arrangements occur due to factors internal to the couple, rather than strategic market considerations, suggesting that they more closely resemble copreneurs than selling teams. Implications for future research are discussed.

INTRODUCTION

This study represents the first phase of a research agenda examining the influence of gender inclusive sales teams (GIST) on the development and maintenance of marketing relationships. Specifically, this research agenda is interested in the extent to which gender affects relationship development (e.g., attractiveness, customer-orientation), service quality (e.g., assurance, empathy) and finally performance (e.g., satisfaction, willingness to patronize). The current study utilizes an exploratory methodology to examine the evolution of a subset of GIST - conjugal (husband-wife) sales agents - and their impact on relationship marketing within the residential real estate industry.

This research extends the field of relationship marketing by integrating two previously disparate bodies of research: selling teams and copreneurship. Furthermore, this research contributes to both the academic and practitioner literature by expanding the study of selling teams to consumer markets and, in the process, exposing potential new avenues for research. Finally, the residential real estate industry studied in this paper represents a departure from the industries traditionally examined in the sales and entrepreneurship literature.

Achrol (1997) stated that "to understand any economic institution, we must infer the evolutionary problem that must have existed for the institution to have developed" (p.57). The primary objective of the current paper is to provide insight into the evolution of GIST, as there is no evidence of research on such teams in the marketing literature. This research focuses on a particular subset of GIST: the conjugal (husband-wife) sales "team." The term team is loosely associated with the conjugal sales arrangement at this point, because it is not known whether the evolution of such an arrangement more closely resembles that of a selling team or copreneurs. Consequently, the selling team and copreneurship literature is examined to provide insight into the factors responsible for the formation of such conjugal sales arrangements and the impact of such arrangements upon relationship marketing within the residential real estate industry.

SELLING TEAMS

Deeter-Schmelz and Ramsey (1995), defined the *core selling team* as "a small, permanent team responsible for customer relationships, sales strategy, and sales transactions and comprised of selling organization members who possess complementary skills, who are committed to a common purpose, performance goals, and a selling approach for which they hold themselves mutually accountable" (p.49). In addition, the *extended selling team* was seen to comprise individuals accessed by the core selling team for a specific transaction.

The increased popularity of selling teams in the industrial marketplace is evidenced by a proliferation of articles in practitioner-oriented literature (e.g., Conlin 1993; Orlin 1993; Smith and Barclay 1993) and a nascent body of academic research (e.g., Hutt, Johnston and Ronchetto 1985; Smith and Barclay 1993; Moon and Armstrong 1994; Deeter-Schmelz and Ramsey 1995). It has been suggested that selling teams are a strategic response to: buying centres, increasing customer expectations with respect to service and a desire for coordinated sales/supply efforts (Conlin 1993; Moon and Armstrong 1994). To this end, selling teams have been associated with benefits such as: greater recognition of sales opportunities, greater customer satisfaction, more innovative problem-solving, increased organizational knowledge base and higher sales (Conlin 1993; Orlin 1993).

Crosby et al. (1990), stated that, "In instances where the breadth of knowledge required is beyond any one individual's capability, a firm may elect to use teams of salespeople dedicated to particular clients" (p.77). Furthermore, it has been suggested that women have a preference for female sales representatives (e.g., Farrant 1990) and that female salespeople have a number of advantages over their male counterparts with respect to the development and maintenance of exchange relationships. Thus, it is believed that a gender-inclusive selling team (GIST) - a selling team comprised of both male and female salespersons - has relationship marketing advantages over both individual sales representatives and same gender sales teams.

Gender inclusive sales teams, and here conjugal sales agents, are believed to offer existing and potential customers benefits because of factors inherent to their "partnership." Specifically, it is proposed that GISTs provide consumers with a comprehensive sales "package" because of synergies derived from the combined sex role orientation of their members. Therefore, an inherent strength of a GIST is its ability to serve a greater number of consumer groups than an individual salesperson. For example, conjugal sales agents either alone, or in concert, are able to relate to single men and women, married couples and even alternate family structures. In this regard, it can be seen that conjugal selling agents reflect one of the essential characteristics of industrial selling teams - the combination of member skills for a more effective sales presentation. It is believed that these teams will be most effective in those buying situations involving other gender inclusive groups (i.e., married couples, partners) - the consumer equivalent of the industrial buying centre.

In the industrial sector, firms such as IBM and AT&T have adopted team selling because of: 1) buying groups, 2) customers demanding greater levels of service, and 3) the increasing complexity of the products being sold. These factors suggest that selling teams are primarily a response to market requirements but, the extent to which conjugal sales agents and industrial selling teams share similar evolutionary factors is not readily apparent. Therefore, it is worthwhile to determine if factors exist in the consumer marketplace that are analogous to those found in the industrial marketplace.

GROUP DECISION-MAKING IN HOME PURCHASING

Although the composition and size of the household is changing as a result of decreased fertility rates, postponement of marriage and alternate family structures (e.g., single parents), married couples remain the dominant form of household and are expected to continue to do so well into the 21st century. For example, American Demographics (1993) reported that married couples will continue to represent more than 70% of households in the year 2000. Thus, there is significant potential for group decision-making within the households of the consumer marketplace.

While Dortch (1994) reported that 80% of men and women agreed that their home purchase was made mutually, others suggest that men and women contribute differentially to the initial stages of the purchase process (Ford, LaTour and Henthorne 1995). Conversely, Kim and Lee (1996) categorized 32% of couples as "wife-driven" with respect to the home purchase and found that women in these couples had more modern sex role attitudes, earned higher incomes and/or possessed greater education than their husbands. Furthermore, Bovey (1995) stated that it is the woman who makes the purchase decision 85% of the time.

Although the degree to which women are solely responsible for the home purchase decision is contested, there is no disputing the fact that they are central to this decision. Thus, even though women are believed to be more inclined to seek the assistance of surrogate consumers it is not suggested that women are more susceptible to salesperson influence. In fact, Goff, Bellenger and Stojack (1994) found that women were less susceptible to relational influence than men, and were not significantly different with respect to informational or recommendational influence. Consequently, while it is believed that women are more inclined to seek the assistance of a surrogate consumer (e.g., sales agent) they are better able to insulate themselves from the influence attempts that typically accompany such associations.

COPRENEURSHIP

Barnett and Barnett (1988), employed the term *copreneurs* to refer to husbands and wives who share ownership and responsibility for a business - a term that aptly describes the husband-wife sales agents found in the residential real estate industry. Although the number of copreneurs is on the rise (Jaffe 1990) there is a limited amount of research on copreneurship. Nevertheless, preliminary findings in this area offer important insights for the present paper. For example,

Marshack (1994) examined sex-role orientation amongst copreneurs and dual-career couples and reported marked differences between the two. For example, copreneurs were found to be much less egalitarian with respect to sex-role orientation. Specifically, male and female copreneurs were found to exhibit predominantly “masculine” and “feminine” traits.

Interestingly, and more relevant to the current study, copreneurs also exhibited a division of labour with respect to work responsibilities. Specifically, Marshack (1994) reported that wives were primarily responsible for tasks related to accounting and bookkeeping, while husbands were responsible for equipment maintenance and contract negotiations. Tasks such as sales and marketing although dominated by the husband, were shared by copreneurs; with customer service cited as the most frequently shared activity. Farrant’s (1990) suggestion that women are better at “the details” is supported by Marshack’s findings.

This literature suggests that while some couples elect to become copreneurs, others are forced to adopt this form of business arrangement. For example, copreneurship may reflect a desire to balance family (i.e., childcare) and relationship (i.e., quality time) demands. Conversely, couples may have been forced to enter into business together as a response to factors such as corporate downsizing or increased family business demands. It is apparent that most, if not all, of the reasons cited for copreneurial venture formation could also explain the development of conjugal sales agents.

METHODOLOGY

The desire for depth of insight and the existence of relatively few a priori themes or research questions suggested that depth interviews would be the most appropriate data collection technique. Consequently, a series of in-depth interviews of approximately 1 hour in duration were conducted by the principal researchers. These interviews were audio taped and transcribed for subsequent content analysis.

The real estate industry was chosen as the focus of the current study for three reasons: 1) an increased incidence of GISTs has been observed within this industry, 2) the preponderance of homes are owned by couples, 3) real estate transactions have a significant impact on households and the national economy.

To appreciate the prevalence of GISTs in the residential real estate industry, an examination of real estate boards and brokerages listed on the internet indicates that such agents comprise 10-20% of the agents in a given residential real estate market. At the time of the current study, the local real estate board was being served by 15 such teams, approximately 10% of the agents listed in the MLS member roster.

Participants

Participants were selected for this exploratory study such that they met the following criteria: 1) the selling team promoted themselves as a sales partnership (i.e., in advertisements, business cards, or lawn signage), 2) each partner was a full-time sales agent, 3) the couple was in fact married (however, it was not necessary for the agents to have a common last name). Four couples - 20% of the GISTs listed in the MLS member roster - that satisfied these criteria were identified in the local market, and three agreed to participate in the study.

In each interview the participants were found to be animated, candid and enthusiastic. The interviews ranged from 60-90 minutes in duration and produced an average transcript of 20 pages, illustrating the richness of information obtained from this data collection technique.

A brief description of each participating couple is presented here to provide insight into their respective stages in the family life cycle and their real estate experience. It will be seen that both of these factors have an influence on the team members’ approach to sales and team coordination. The names of the participants were changed to protect their identities and approximate ages are presented for the same reason.

Couple #1: Al (mid 50s) and Cathy (late 40s) - This couple promoted themselves through pictures on bus shelters, business cards and lawn signage all of which contained both of their names. He was an experienced real estate agent, she

was a real estate neophyte. This couple was the most syncratic of the three with respect to the selling function, which could be attributed to her inexperience in real estate and thus her dependence upon him. The couple believed that they would become more autonomous as she began to generate sufficient listings and sales to support herself.

Couple #2: Art (late 40s) and Brenda (late 40s) – These individuals were the most visible conjugal sales agents in the local market as they employed a novel slogan in all advertisements emphasizing this fact. Although they worked together in some areas of real estate, for the most part this couple reported working autonomously with respect to sales and in doing so they could have more quality time with their family.

Couple #3: Tom (mid 30s) and Kate (mid 30s) - The members of this sales couple operated autonomously with respect to the sales function. Although they appeared to manage separate careers it might be argued that they were actually engaged in a form of job sharing. They were very much aware of their independence and actually referred to themselves as a “tag team.” It was stated that their work arrangement was a function of their stage in the family life cycle. Specifically, the couple had young children and thus, the majority of the couple’s work coordination decisions surrounded childcare issues (e.g., who would stay home).

RESULTS

This preliminary study indicates that the formation of GIST in the residential real estate industry is a response to economic factors and lifestyle considerations rather than a market-driven, strategic response. Consequently, it is believed that this selling arrangement more closely resembles that of copreneurship than an industrial selling team. For example, down/right-sizing was the motivation behind one such team’s formation, while a desire for enhanced quality of family life was reported by the others. To illustrate, Art indicated that his wife had joined him in real estate because, “Number one - tax purposes. It was a lot better for income splitting. She was in a career that was really not going anywhere so I decided that she should join me... It would be a lot easier for two people to run the business rather than one.”

Although the sales couples acknowledged that there were advantages to such an arrangement (e.g., greater market coverage), contrary to expectations they did not appear to have made any real attempts to capitalize on these. In fact, most couples cited a “doubling” of the sales effort as the primary benefit associated with the sales arrangement and to this end very little “team” effort was reported. For example, one agent summarized what appeared to be the *modus operandi* for these couples as she stated: “A lot of people call us a tag team, because you rarely see us both together... He has his listings, I have mine... we get more business done that way.” [Kate] Furthermore, Art cited the following benefits associated with this arrangement when he said: “It was more cost effective. We could take on more work. We could take on more listings.”

While these preliminary findings suggest that the formation of conjugal sales arrangements in the residential real estate industry is primarily motivated by economic factors and lifestyle considerations, there were several indications of gender-specific behaviours in this market, supporting the contention that GISTs have a distinct advantage over individual real estate agents. However, marketing advantages associated with this sales arrangement were recognized after the “teams” had formed and been operating for a period of time. For example, one male agent realized after his wife joined him in real estate, that she was better able to serve particular types of customers. He commented: “I had been losing some clientele because... I’m a big son of a gun, I’m rough.” [Al] Single women, the elderly and divorcing couples were all seen to gravitate towards the female partner. However, the consumer that most frequently sought the assistance of the female agent was the neophyte buyer.

Another agent suggested that his wife enabled him to expand the market he had been serving. He explained that, “Women like to deal with women, and feel more comfortable with women, and so it opened up a few more doors.” [Art] The importance of this point is emphasized by Brenda who stated, “80% of the houses that are bought are bought because it’s what the female wants. She has to clean it, she has to take care of it, she’s in it daily. He doesn’t care. As long as it’s clean and it’s making her happy; it’s making him happy.”

Furthermore, another agent indicated that he and his wife offered a more complete approach to selling because they were better equipped to serve the needs of couples. He commented, “I can relate to the husband and my wife can relate to the wife. Women look at homes differently than men do. Men look at the basements, the garages. Women look at, you

know, the kitchen, the bathrooms and so forth. Men's viewpoints and women's viewpoints are different in most cases, so it works very good that way." [Art] This agent's wife supported this contention by explaining their approach to the listing of a couple's home: "He'll typically take the guy and do the guy stuff, look at the wiring in the garage and that kind of thing. I'll do the upstairs, do the measuring, while he's checking out the fuse box." [Cathy] The value of a GIST in this market is perhaps nowhere better illustrated than in the following comment by Art, "One on one is a lot better. But in a husband and wife [listing] situation yes, definitely we both go."

Perhaps one of the most interesting findings in this preliminary study was the degree to which a selling orientation continues to permeate the real estate industry. For example, the real estate agents interviewed considered the real estate process to be driven by the vendors because they pay the costs of brokerage. And yet, when probed about the real estate process it was revealed that the majority of real estate transactions are initiated by the buyer, not the seller. For example, one salesperson wistfully discussed the need for a more informed buying "mentality" saying that, "It's too bad people do not wait to go looking until after they have sold theirs, but for some reason they want to find their dream home first." [Kate] Another agent commented that, "If the person is interested in the house that you've got for sale, they're more likely to list with you. It makes sense. Who's going to work harder for you than the person you just bought a house from. Nine times out of ten that's usually the way it goes." [Brenda]

It was also interesting to find that each of the male sales agents was described as impatient, or at least less patient than their female partners. For example, one female referred to her partner in the following way: "He assumes a lot of people know the jargon and know all the steps, cause he's done it so many times. He's not a teacher, he's a salesman. He doesn't have the patience to explain." These findings lend support to Rohrer's (1995) contention that there is a general air of "insouciance" surrounding real estate agents when dealing with buyers. However, it cannot be said that agents are not customer-oriented. In fact, they are adamant in their concern for their clients - the vendors. One agent emphasized this point by saying, "It's very important that I service my clientele, that I respond to my vendor. I'm responsible to the vendor." [Al] Likewise, Cathy pointed out that, "The vendor pays us, so we all work for the vendor."

In general, it was found that the female agents were more empathetic towards buyers and generally more approachable than men. This empathy was especially noticeable in references to neophyte buyers or in those transactions involving people for whom the sale is particularly traumatic (i.e., divorcees, widows). This approachability is well illustrated by the following comment. "I make them feel very comfortable. I'm more personable, more relaxed with them and I get them to relax, whereas he can be intimidating." [Kate] This comment also reflects a common theme in the interviews - that female team members were seen as "nurturing." For example, couples often used terms such as "mom" and "the mother instinct" to refer to the wife's ability to deal with certain types of customers.

DISCUSSION AND IMPLICATIONS

Although preliminary, the findings of this research suggest that the conjugal sales agents working within the residential real estate industry more closely resemble copreneurs than selling teams. For instance two of the three couples cited economic reasons as the impetus for the adoption of this sales arrangement. Specifically, it was found that the female partner's previous position had become "redundant," and so she joined him in real estate sales.

At the outset, these conjugal sales agents appeared to adopt a production orientation as evidenced by either their emphasis on doubling the sales effort, or a desire to enhance family lifestyle by reducing the workload of one sales agent. The typical strategy employed by couples attempting to increase sales was to double the existing listings by operating as two independent agents. Conversely, those couples interested in reducing workload achieved this through a division of sales and administrative tasks.

Although these conjugal sales agents indicated that they participated in few team selling activities, they did recognize particular market opportunities which were unavailable to individual agents. For example, each of the couples in the study indicated that as a GIST they were better able to serve the needs of specific market segments, such as: first time buyers, single women and elderly individuals. Although the conjugal sales agents recognized the opportunities associated with the GIST arrangement (i.e., greater market coverage) they had adopted few marketing strategies to capitalize on these.

Thus, it is our contention that conjugal sales agents within the residential real estate industry need to position themselves as comprehensive service providers. Specifically, they must capitalize on the gender inclusive aspect of their sales arrangement to address those buying situations involving couples (e.g., gender inclusive buying teams: GIBT). It is also believed that similar opportunities exist for GISTs wherever GIBTs exist. For example, it is suggested that such teams would have similar advantages in the financial services industry and, in particular, the insurance, investment and financial planning industries. Further research on GISTs appears warranted.

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MARKETING PLANNING, MARKET ORIENTATION AND PERFORMANCE: AN EMPIRICAL STUDY OF AUSTRALIAN ORGANISATIONS

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INTRODUCTION

Market orientation is the goal for several organisations today. The closer organisations are able to move towards being market oriented, the greater is their ability to develop superior customer value and compete successfully (Narver and Slater 1990; Jaworski and Kohli 1993; Greenley 1995). Recent literature on the market orientation of the firm has focused largely on (1) the performance benefits of being customer focused and the various conditions in which market orientation will flourish (Narver and Slater 1990; Kohli and Jaworski 1993; Greenley 1995; Diamantopoulos and Hart 1993); and (2) key attributes of market oriented firms such as reward systems, interdepartmental dynamics, involving human resources.

Piercy (1992) suggests that for an organisation to be effective both practitioners and academics must consider three pillars: customer focus, people involvement and process understanding. Unfortunately, research has not adequately examined all of the three pillars of effectiveness that are characteristic of market oriented firms. The work of Jaworski and Kohli (1993) has identified that these factors help to distinguish market oriented firms from non-market oriented firms. These insights are insufficient for managers because they do not identify process activities embedded within the fabric of the organisation that enable a market orientation to be carried out. A better understanding of the third pillar identified by Piercy (1992), process based mechanisms, in facilitating market driven activity will provide managers with a host of supporting tools and provide a fuller picture of the attributes of market driven firms. Marketing planning is the process and the means through which a goal, such as market orientation, is selected and approached (McKee, Varadarajan and Vassar 1990). Essentially, the impact of planning style on market orientation is something about which management must be aware, if they are to successfully design and achieve the future they seek.

RESEARCH OBJECTIVES

The first major contribution of this study is to advance the extant literature on market orientation. The authors sought to identify differences in the approach that organisations adopt towards marketing planning, thereby advancing the literature on market orientation by showing that market oriented companies are also distinguished by the particular planning procedures they adopt to make marketing decisions.

RESEARCH PROPOSITIONS

It is predicted that the type of planning undertaken by organisations will affect its ability to execute activities that make up market orientation. The different configurations of processes, purposes and players involved in the planning process will have implications for information generation, information dissemination and responsiveness.

Specifically, it is predicted that highly market oriented firms will have planning processes that are (1) comprehensive, (2) rational, (3) interactive, (4) participatory, and (5) unpolitical. Typically, it is also predicted that such organisations will initiate planning through the proactive and continual search for information.

RESEARCH METHODOLOGY

Data within this study was collected in a natural business setting using a self-administered questionnaire. The Strategic business Unit (SBU) was the unit of analysis. Key respondent techniques were employed. The sample comprised 105 organisations operating in a cross section of industries in Australia. These industry categories were agriculture, glassware and pottery, forestry, pharmaceuticals, milk and milk products, domestic furniture, mining and meat and game.

CONCLUSION

Overall, this study illustrates that planning processes within organisations can often be manipulated to form a solid foundation on which the goals of market orientation, customer satisfaction and superior performance can be built; planning is the means to an end. Results will be presented at the conference. References will be made available upon request.

IDENTIFYING THE BARRIERS TO MARKET ORIENTATION: BRITISH RETAIL COMPANIES

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ABSTRACT

Marketing theorists and practitioners have for many years extolled the value of developing 'market orientation'. However, while theoretical advances have been made in recent years, the barriers to the development of market orientation are relatively understudied. This paper presents the findings of qualitative and quantitative research which suggests associations between both the manner and types of management behavior and market orientation. The paper presents a series of conclusions and implications for theorists and practitioners.

INTRODUCTION

During the late 1980s and early 1990s research into market orientation largely centered on the definition, conceptualization and operationalization of the constructs of market orientation (for example, Narver and Slater, 1990; Kohli and Jaworski, 1990). These considerable advances triggered a debate on the association between market orientation and performance (see for example, Jaworski and Kohli, 1993; Slater and Narver, 1994; Greenley, 1995; Pitt *et al.*, 1996), as well as calls for replicative studies of market orientation and the performance-orientation link (see for example, Pitt *et al.*, 1996). However, despite much evidence that executives encounter a wide range of impediments to developing and sustaining market orientation, these obstacles remain comparatively understudied (see for example; Whittington and Whipp, 1992). Indeed, few studies have responded to the conclusion of Jaworski and Kohli (1993, p. 65) that "*it seems desirable to assess the role of additional factors in influencing the market orientation of an organization*".

The aim of this paper is to extend previous research into the barriers to market orientation by analyzing how certain aspects of management behavior influence positively or negatively the extent of market orientation in an organization. The objective of this paper is *not* to develop a holistic list of barriers or to develop a typology of obstacles, but rather to identify and review the principal management behaviors which appear to inhibit or encourage market orientation.

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STRATEGY, MARKET ORIENTATION, OR ENVIRONMENT: RELATIVE INFLUENCE ON SMALL MANUFACTURING FIRMS

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ABSTRACT

This study's primary objective was to compare the industry environment impact with the impact of firm strategy and market orientation culture on small manufacturing firm performance. The extent of market orientation has a greater impact on small manufacturing firm performance, than the direct or indirect impact of the particular industry environment and strategy selection. Emphasis on growth/differentiation strategy has a significant impact on small firm profitability. Industry characteristics have a minimal impact on small firm performance and minimal moderating impact on the relationship between strategy and performance. Possible explanations for this weak influence include small firm adaptability and the limited range of small firm strategic options. The study suggests that strong performance requires more than an appropriate match of strategy to the environment since there is a higher correlation between growth differentiation strategy and environmental turbulence in the lowest profitability group, compared to the highest group. But, there is significantly higher correlation between growth differentiation strategy and market orientation in the high profitability group, compared to the low group. The results suggest that firm culture and competencies that affect implementation of firm strategy are more critical determinants of relative small firm performance than the match of strategy and environment.

CONCEPTUALIZING STORE CHOICE PROCESSES USING PERCEIVED RISK

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ABSTRACT

Gaining competitive advantage in retailing requires knowledge of the attributes consumers use to discriminate between stores and of why those attributes are important. Although many store image studies (e.g. Kelly et al., 1967; Lindquist, 1974; Hallsworth, 1987) have defined discriminant attributes, none has attempted to explain how these attributes lead to the satisfaction of personal grocery shopping motives. Previous store attribute classifications have largely been done from an organizational or operational viewpoint rather than that of customers. Here, we propose a new, more comprehensive patronage preference model which utilizes perceived risk to link store attributes and shopping motives. Current piecemeal and category-based approaches to understanding store image cannot offer insight into the question of why consumers view certain attributes the way they do. The attribute-based approach to store image has been criticized for failing to capture the richness of the store image which is believed to be a picture, but is generally measured with a list (Keaveney & Hunt, 1992). We agree with Keaveney & Hunt's (1992) assertion, but argue that the simplified overriding dimensions on which a store is remembered and judged are the risks involved, which can operate at the category level. This needs-motivations-goals-risks linkage has not been fully explored in the literature, despite its usefulness in understanding perceived risk's role in consumer behaviour in general, and shopping behaviour, in particular.

To test out this notion the article sets several objectives: a) to re-examine the results of previous store image research and to see if the store attributes it uncovered could be categorised into risk dimensions; b) to review the literature on motivation and complete a similar process to see whether motivations could be related to dimensions. The success of this re-analysis prompted objective (c) to conduct an empirical investigation using means-end chain theory for assessing store patronage structures. The article reports on all three aspects and presents a convincing argument for re-assessment of store choice to give more emphasis to perceived risk, given the unusually neat fit between previous store image and motivation studies and the perceived risk framework. The conceptual framework draws most heavily on the perceived risk theory (e.g. Dowling & Staelin, 1994); store image research (e.g. Hirschman, Greenberg & Robertson, 1978; Keaveney & Hunt, 1992) and theories of motivation (e.g. Tauber, 1972; Westbrook & Black, 1985).

The hierarchical value maps for four different risk dimensions are presented. One example of a means-end chain for physical risk is being able to hand-pick fresh products helps to ensure that the consumer can purchase the best quality food, resulting in more nutritious meals which may prevent future health problems. The main time and convenience motives were having more discretionary time and more time to spend on other activities and expending less effort. For example, having a large product range enables one-stop shopping which requires less effort and means that less time is spent on food shopping which allows more time for other activities. One outcome of using a perceived risk framework in explaining store choice is its use in identifying risk-sensitive segments. Implications for store development and positioning strategies, personnel training and as well as risk measurement are discussed.

THE INTERACTIVE EFFECT OF PRESENTATION FORMAT AND BRAND USAGE ON THE EFFECTIVENESS OF RETAIL PRICE ADVERTISEMENTS

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ABSTRACT

This study examines the impact of %-off and \$-off formats on consumers' responses. Results reveal that the optimal savings presentation format depends on the desired response and on brand usage. This finding underscores the importance of segmenting the market based on user status when planning retail price advertising strategies.

INTRODUCTION

This article investigates how %-off and \$-off savings presentation formats affect consumers' cognitive and behavioral responses, and then develops appropriate implications for designing retail price advertisements. The main focus is on retail price ads featuring price claims as: (i) Regular Price \$ ____; Save \$ ____," and (ii) Regular Price \$ ____; Save ____%. In the first case, the implied "sale price" is easy to calculate using simple subtraction. However, the second format involves more complex arithmetic to determine the actual amount of savings (in dollars) and to calculate the final price. Thus, between the two formats, the %-off format demands greater cognitive effort than the \$-off format. Given that the two types of ads generally have the same information content, albeit in formats requiring different amounts of cognitive effort, it is expected that several individual differences will moderate the effectiveness of each format. These expectations are based on the premise that individuals differ in their need for cognition (NFC) and their motivation to perform complex arithmetic calculations. In addition, it is possible that each format is suitable for a certain type of response. Such issues have not received adequate attention in the literature, and are the main focus of the study.

THE ROLE OF SEMANTIC CUES IN RETAIL PRICE ADVERTISEMENTS

Generally speaking, previous research (Lichtenstein et al. 1991; Berkowitz and Walton 1980; Della Bitta et al. 1981; Mobley et al. 1988) has confirmed the interdependency between the roles of semantic and price cues on consumers' evaluations of retail prices. They also raise questions for retailers that go far beyond decisions of the size of the discount and whether to include an external reference in their ads. In addition, retailers have to be cognizant about how to maximize the effectiveness of their promotional strategies by using appropriate semantic cues alongside the price cues. Berkowitz and Walton (1980) and Della Bitta et al. (1981) found that consumers perceive lower value when the savings is presented in a %-off format (in conjunction with the regular price) compared to a similar ad showing savings using a \$-off format. However, neither study examined how consumer factors moderate the relationship between presentation format and consumers' perceptions and resulting purchase intentions, which are the main focus of this study.

Consumer Characteristics as Moderating Factors

Despite the significance of individual differences in market segmentation and the design and implementation of promotional strategies, there have been no systematic efforts to understand how consumer characteristics affect the evaluation of comparative price advertisements. Berkowitz and Walton (1980) examined the impact of several demographic variables (respondent characteristics) on the effects of contextual variables on consumers' responses, and found many significant effects for such variables as income, education, and age. Mobley et al. (1988) examined the impacts of product usage, product-class knowledge, and product involvement on consumers' reactions to comparative price ads, but found no significant impacts of these factors on consumers' perceptions. The present study examines one consumer characteristic (brand usage) as a potential moderating factor.

The Moderating Effect of Brand Usage

The goal of the present study is to examine whether the effects of alternative savings presentation formats are moderated by individual differences with respect to brand usage. The underlying assumption is that consumers purchase

the advertised brand majority of the time will pay more attention to the advertisement because of the perceived personal relevance (i.e., involvement) of the advertised brand. Owing to this difference in involvement, users and non-users are likely to differ in the way they evaluate the same price and/or savings information. The information-processing literature (Brucks 1985, MacKenzie 1986; Zaichkowsky 1988) strongly suggests that consumers' thought processes are moderated by several factors (e.g., the level of interest/involvement; and the degree of personal relevance). Despite the importance of individual differences in how consumers process relevant product and price information before making evaluations, very few studies have examined their roles in the context of comparative price advertisements.

TYPES OF RESPONSES TO RETAIL PRICE ADVERTISEMENTS

The primary objective of this study is to examine the moderating role of brand-usage on consumers' responses to %-off and \$-off formats. Two types of responses, cognitive and behavioral, are examined. It is important to consider the two types of responses separately because the type of savings presentation format required to elicit one response may not be suitable for generating the other. Cognitive responses may be important to conjure perceptions of value, which may be important in drawing patrons into a store. Subsequently, the retailer might be more concerned with eliciting behavioral responses. If alternative savings presentation formats affect consumers' perceptions and behaviors differently, retailers must choose a format that is most appropriate for the desired response. Furthermore, if the nature of these effects is driven by individual-specific factors, retailers will benefit from segmenting the market according to these variables and ensuring that each segment is exposed to the right format to bring out the desired response.

HYPOTHESES

On the basis of existing literature on consumer information-processing, significant differences in the effectiveness of the %-off and \$-off formats both within and across user groups are expected. The basic assumption in this study is that consumers for whom the advertised brand is associated with the greatest share of purchases (i.e., USERS) are more involved with the brand than those who do not purchase the advertised brand most often (i.e., Non-USERS). To formally test this assumption, it is proposed that:

H1: *Routine USERS of the advertised brand are more interested in the advertised brand than NON-USERS.*

Research on the role of involvement on consumer decision making suggests that highly involved consumers are motivated to engage in detailed processing of relevant information (Brucks 1985, MacKenzie 1986; Zaichkowsky 1988). Thus, USERS, for whom the advertised brand is personally relevant, are likely to process the information contained in the %-off format to determine the amount of savings (in dollars) and the final sale price and are likely to exhibit more cognitive responses than non-users. In contrast to the %-off format, the \$-off format does not require any detailed processing of information beyond a simple subtraction. Thus, the \$-off format will not generate much cognitive activity. Thus, for USERS, the %-off format should be better than the \$-off format at generating cognitive responses.

Regarding behavioral responses, USERS should not perceive any difference between the two formats in terms of the savings offered and the final sale price because once the %-off information has been processed, the two formats do not differ in terms of their information content. Assuming that consumers' final purchase decisions depend on the final sale price, both formats should be equally effective at generating behavioral responses among users. In contrast, NON-USERS lack the motivation to calculate the actual amount of savings from the %-off savings format. However, both USERS and NON-USERS can process the \$-off information with equal ease. Thus, regarding behavioral responses, the \$-off format will be equally effective USERS and NON-USERS. In addition, it is expected that the two formats will be equally (in)effective at generating cognitive responses among NON-USERS. For behavioral responses, however, it will be easier for NON-USERS to use the information provided in the \$-off format than in the %-off format to determine the amount of savings and the final sale price. Therefore, the following hypotheses are offered:

H2: *The %-off format will generate better Cognitive Responses than the \$-off format*

H3: *The %-off and \$-off formats do not differ in terms of the Behavioral Responses.*

H4: *The %-off format will be more effective at generating Cognitive Responses among USERS than Non-USERS.*

- H5:** *USERS and NON-USERS will not differ in their behavioral responses to the \$-off format.*
H6: *The %-off and \$-off formats will not differ in terms of Cognitive Responses among Non-USERS.*
H7: *The \$-off format will elicit better Behavioral Responses than the %-off format among Non-USERS.*

DATA COLLECTION PROCEDURE

A total of 112 business students participated in this study. A brand of headache remedy (Tylenol) was chosen as the product category in this study. This category was chosen based on its relevance to the student sample used in the study, and because of subjects' overall familiarity with the product class and brand names. An actual newspaper advertisement for Tylenol was scanned into a computer and modified for the purposes of this study. In addition to the regular (non-sale) price, each ad included one of two savings formats (\$-off or %-off the regular price). The amount of savings implied by the \$-off format corresponded as closely as possible to 10% of the regular price (\$4.39 for a bottle of 40 Tylenol caplets or gelcaps). First, Brand Interest was measured on two seven-point scales relating to: (i) overall interest in headache remedies, and (ii) overall interest in the advertised brand (Tylenol). Brand Usage was assessed using a dichotomous (i.e., yes/no) scale relating to whether or not subjects' purchased the advertised brand (Tylenol) most often. Clearly, better more sophisticated methods could have been used, but considering that this is a preliminary study, simple single item measures were used.

A week after the initial data collection, students were exposed to the mock advertisements for Tylenol, which was embedded in an article about the quality and cost of airline food that appeared in a Sunday edition of the New York Times. Although all subjects read the same article, half of them saw an ad for Tylenol using the %-off format, and the remaining contained the same ad, but with a \$-off format. Thus, 56 were exposed to the %-off format and the remaining saw the \$-off format. After reading the article, subjects responded to several questions regarding their perceptions of airlines. They also provided information on their cognitive and behavioral responses to the offer contained in the advertisement they saw. The cognitive dimension was measured using two items related to offer value. Similarly, the behavioral dimension was tapped using two items relating to subjects' intention to buy the product at the advertised price, and their intention to search for a better deal.

ANALYSIS AND RESULTS

Table 1 shows a comparison between USERS and NON-USERS in their overall interest in the advertised brand (Tylenol). As expected, there is a significant difference ($t = 4.72$, $p = 0.00$) between the two groups in their overall interest in the brand. Furthermore, the difference is in the hypothesized direction, thus providing strong support for hypothesis H1 and laying the groundwork for empirically examining the main hypotheses.

Table 2 (A and B) shows the analysis of variance results for subjects' cognitive and behavioral responses. The two variables (Format and User Status) together explain 18% and 13% of the variances in consumers' cognitive and behavioral responses respectively. As hypothesized, the tables show that the type of format has a significant effect on consumers' evaluative responses ($F = 3.64$, $p = 0.06$ in **Table 2**), but not on their judgmental responses (see **Table 2B**). Specifically, the %-off format generates greater cognitive activity than the \$-off format. As hypothesized, it is possible that because once the information has been processed (cognitively), the final sale prices in both cases are the same. Consequently, the type of format does not affect consumers' behavioral responses. These results strongly support hypotheses H2 and H3.

User Status has a significant impact on both cognitive and behavioral responses ($F = 11.38$, $p = 0.001$; and $F = 10.55$, $p = 0.002$ respectively). Although this effect was not hypothesized, it is interesting to note that current users are generally more willing to buy the brand than non-users. This result may be due to current users' existing positive attitudes and non-users' inertia, which impedes brand switching.

Most important, however, are the significant interaction effects of format and user status on consumers' cognitive and behavioral responses ($F = 8.63$, $p = 0.004$; and $F = 3.42$, $p = 0.067$ respectively). These results indicate that the

effectiveness of a particular format on consumers' responses depends on brand usage. Thus, it is crucial for retailers to include such consumer characteristics as brand loyalty when planning consumer promotions. Overall, these results support the hypothesized interactive effects of brand usage and format type on consumers' responses. These results are examined in further detail below.

Across and Within Group Comparisons

Table 3 (A and B) compares the cognitive and behavioral effects of the %-off and \$-off formats user groups. The results strongly support H4 - the %-off format is more effective among current users of the advertised brand compared to non-users in generating cognitive responses. However, hypothesis H5 is not supported, i.e., contrary to expectation, the behavioral response due to the \$-off format among users is higher than that among non-users. **Table 3-B** compares consumers' cognitive and behavioral responses to the %-off and \$-off formats within the USERS and Non-USERS groups respectively. The results show that for USERS, the %-off format yields better perceptions of value than the \$-off format ($t = 3.31, p < 0.001$). Although the two formats differ in the extents to which they affect consumers' cognitive responses, they do not differ in terms of their impact on USERS' behavioral responses ($t = 0.69$ is not significant). These findings strongly support hypotheses H2 and H3. Table 4 also compares the effectiveness of the %-off and \$-off formats among Non-USERS. As expected (see H6), because these consumers lack the motivation to process the more complex %-off information, the two formats do not differ in terms of the cognitive responses generated ($t = 1.57$ is not significant). Also, the \$-off format is better than the %-off format in eliciting behavioral responses among Non-USERS ($t = 2.13, p < 0.05$). Thus, hypothesis H7 is strongly supported.

DISCUSSION

Considering the preliminary nature of this study, any generalizations will be premature. The findings underscore the need to consider individual differences in the design of price communication strategies - the optimal promotion strategy depends on the type of user and on the type of response being sought. Despite the crucial implications for retailing, such issues have not been addressed in the literature. This effort addressed only one small part of "the big picture," and examined the effects of only two formats (%-off and \$-off) on consumers' reactions to retail price ads, using only one product category. In addition, it did not examine multiple savings levels (e.g., 20%, 40% etc.) or different savings manipulations (i.e., whether the ad portrays a reduced sale price or an inflated external reference). In closing, despite its several limitations, this study does underscore the importance of considering individual differences in designing price communication strategies. It is hoped that this study will stimulate further work in the area that can be used to better understand consumers' evaluations of retailers' price communication strategies.

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TABLE 1
The Impact of Savings Format and User Status on Cognitive Responses

Group	Size (n)	Mean Brand-Interest	t-value (p)
Users	72	0.80	4.72 (0.000)
Non-Users	40	0.40	

TABLE 2
A: Impacts of Format and Brand Usage on Cognitive Responses

Source	Df	ANOVA SS	MS	F	P
Format	1	15.75	15.75	3.64	0.059
User Status	1	49.21	49.21	11.38	0.001
Format x User Status	1	37.32	37.32	8.63	0.004

B: Impact of Format and Brand Usage on Behavioral Responses

Source	Df	ANOVA SS	MS	F	P
Format	1	11.57	11.57	1.78	0.185
User Status	1	68.60	68.60	10.55	0.002
Format x User Status	1	22.27	22.27	3.42	0.067

TABLE 3
A: Mean Responses to %-off and \$-off Formats Across Groups

Format / Group	Cognitive Response	Behavioral Response
Users (n = 40) %-off Format	1.50 (1.88) $t = 4.44^a$	1.15 (2.90) $t = 3.14^a$
Non-Users (n = 16)	-1.25 (2.18)	-1.38 (2.63)
Users (n = 32) \$-off Format	0.00 (1.93) $t = 0.14$	1.56 (1.93) $t = 1.82^c$
Non-Users (n = 24)	-0.10 (2.48)	0.42 (2.59)

B: Differential Effects of %-off and \$-off Formats Within Groups

Group / Format	Cognitive Response	Behavioral Response
Users \$-off (n = 32)	0.00 (1.93) $t = -3.31^a$	1.56 (1.93) $t = 0.69$
%-off (n = 40)	1.50 (1.88)	1.15 (2.90)
Non-Users \$-off (n = 24)	-0.08 (2.48) $t = 1.57$	0.42 (2.59) $t = 2.13^b$
%-off (n = 16)	-1.25 (2.17)	-1.38 (2.63)

^a $p < 0.001$; ^b $p < 0.05$

A CLUSTER BASED TYPOLOGY OF 'SALE' SHOPPERS' MOTIVES, IMAGES AND BELIEFS

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ABSTRACT

Previous research on shoppers' motives, images and beliefs has given limited attention to the special context of sales, in spite of their commercial importance in many sectors of retailing. From a survey of over 1,000 'sale' shoppers, PCA is used to identify motive, image and belief factors. Cluster analysis then identifies three distinctive categories of 'sale' shopper.

INTRODUCTION

The importance of 'seasonal sales' to retailing and consumer behavior is scarcely discernable from the retailing or marketing literature. As a composite of historical, cultural, commercial, psychological and legal influences, they do however provide much scope for academic endeavour. Isolated contributions have been made in the fields of economics (e.g., Warner and Barsky 1995), sociology (e.g., Prus 1986) and business ethics (e.g., Ortmeyer 1993). The fragmented insights gleaned from cognate disciplines collectively amount to a significant body of literature. These include contributions from cognitive and behavioral psychology (e.g., Inman et al. 1990; Foxall and Goldsmith 1994), economic psychology (e.g., Van Raaij 1981), consumer policy (e.g., Borrie 1984; Schmitz 1993) and retail strategy (e.g., Ortmeyer et al. 1991).

Although relatively limited in number, a full review of these diverse contributions is beyond the scope of this short paper. A review of this literature is provided by Betts and McGoldrick (1995). The focus of this paper is upon the attitudes of 'sale' shoppers and, more specifically, the following objectives.

1. Through qualitative methodologies, to develop attitude scales of specific relevance to 'sales' shopping.
2. Using a sample of over 1,000 shoppers, to test these scales and derive the principle components of motives, images and beliefs.
3. To develop an attitudinal taxonomy of 'sale' shoppers, applying cluster analysis to the factors derived.

Numerous researchers have addressed the topic of shopper motivation (e.g., Westbrook and Black 1985; Buttle 1992). However, of all the shopping motive typologies, it is Tauber's (1972) work which probably makes the most pertinent contributions towards understanding 'sale' shopping motivation. Tauber's 'pleasure of bargaining', although couched in rather dated terminology (e.g., phrases such as 'bargaining' and 'haggling'), makes unambiguous reference to the 'sales'. However, it is still true to say that no typology has *fully* captured the express appeal of 'sales'. General shopping orientations segment types of shoppers according to their motives, attitudes and/or behavior. Stone (1954) identified four distinct shopper types: economic, personalising, ethical and apathetic. Darden and Reynolds (1971) used structured questionnaires comprising activity, interest, opinion (AIO) scales to measure shopping orientations: they supported Stone's basic results on the above four shopping orientations.

Despite many attempts to classify shoppers into typologies (e.g., Moschis 1976; Bellenger and Korgaonkar 1980; Lesser and Hughes 1986; Westbrook and Black 1985) only a few shopper types appear consistently across studies, i.e., economic, apathetic and social shoppers. This is probably due to the studies' methodological and contextual differences (e.g., Westbrook and Black, 1985). However, Buttle (1992) argues that shopping motives are contextualised within each shopping experience or occasion (e.g., merchandise category, whether accompanied) and that people account for their shopping trips in ways which are incompatible with the notion that shopping motives are personal attributes or general orientations. Following Buttle's logic, it may be argued that specific shopping contexts, such as apparel shopping in 'sales', would be more amenable to shopper orientation studies. No previous academic studies directly address typologies of 'sale' shoppers in any product category.

METHODOLOGIES

The study upon which this paper is based pursued a number of objectives, including an evaluation of 'sale' strategies, the consumer protection framework and shoppers' knowledge of the law. Some elements of the methodology are therefore less germane to the focus of this paper, although they contribute additional perspectives. The overall study included case studies of four retailers' 'sale' strategies, a three year analysis of seasonal markdowns and interviews with consumer protection agencies in the United Kingdom and elsewhere in Europe.

The Consumer Studies

Groups discussions are acknowledged as a valuable aid to hypothesis development (e.g., Aaker et al. 1995; Bristol and Fern 1996). Two groups of 7/8 'shoppers in context' were recruited, using a meeting room in a very large shopping mall during the 1993 summer 'sales'. The informal agenda included their beliefs, motives, behaviors and knowledge of relevant law. The discussions were tape recorded and transcribed to assist in questionnaire development.

50 semi-structured interviews were conducted during the winter 'sales' of 1994, comprising equal proportions of males/females and age categories. These served to develop the main questionnaire, also providing an assessment of attention span and suggesting solutions to possible problems of recall and admissibility. A pilot version of the full questionnaire was tested in summer 1994 with 100 interviews: a further test was conducted in the winter of 1995. Overall, a response rate of 57% was achieved in these pilot surveys.

In view of the number of questions, the first part of the questionnaire was administered by direct interviewing the second, longer part was then mailed back. This built commitment to cooperate; it also enabled unprompted awareness to be investigated at the interview, whereas longer and more sensitive questions could be included in part II. Space does not permit a detailed description of each question, although scales most relevant to this paper are summarised in [table 1](#). Attention was given to developing a revised format of the Likert scales, designed to reduce directional errors and improve parametric qualities. Responses ranged from -3 (disagree strongly) through zero (neutral) to +3 (agree strongly).

The interviews were conducted in four shopping malls in the summer sales of 1995 and winter 1996. Quotas were based upon age, sex and the phase within the 'sale'. The mall intercept approach was used, the next shopper meeting quota requirements being approached after each interview. The shopping malls provided tables and chairs to increase attention span and willingness to cooperate. The overall response rate of part II questionnaires was 45%, high for a relatively complex task and assisted by the incentive of a free prize draw. After 2,624 initial interviews, the number of returned part II questionnaires was 1,178.

Content validity was a major rationale for the extensive pre-testing. Construct validity is more complex in exploratory work but the procedure of factor analysis confirmed the emergence of distinct constructs. A series of seven reliability filters was included in the questionnaires, some 10.7% of part II returns being excluded on the basis of these.

RESULTS

Consumer Attitudes : Factor Analyses

Developing upon the work of Tauber (1972) and subsequent shopping motive typologies, the focus groups and pilot discussions identified more specific 'sale' satisfactions. Other scales were developed to assess beliefs about the 'sales' and also the images held of stores when 'on sale'. The motives, beliefs and images were subjected to independent factor analyses, the results of which are summarised in [table 1](#).

Focusing upon the analysis of 15 motive scales, the initial VARIMAX rotation suggested three factors, using the eigenvalues ≥ 1 criterion. However, an unacceptable number of cross-loading variables, plus indications from the scree plot, suggested the two factor solution. Within this, the number of residuals below 0.5 was not significantly altered: communality values were not indicative of multicollinearity or singularity. The two motive factors were therefore taken into further

analyses, labelled 'price satisfaction' and 'experiential satisfaction'. Notable amongst many bivariate tests was the strength of price satisfaction amongst the females, the under 25s, singles and those in 'lower' occupation groups.

Shoppers' lack of 'experiential satisfaction' (MF1) may be in no small part due to the largely negative changes in non-price image dimensions. Eight scales were included in the questionnaire to capture perceptions of cluttered stores, perpetual 'sales', rude shoppers, etc. The VARIMAX rotation, requesting eigenvalues of over one, extracted three factors which accounted for 61.6 per cent of variance. This solution was readily interpretable and neither the scree plot nor the number of residuals gave grounds to probe for an alternative solution. Although factors with less than three variables may be considered unstable (Tabachnick and Fidell 1996), the high loadings in this image solution are sufficient to negate such a concern.

The first image factor, accounting for almost a third of variance, concerns shoppers and their perceptions of the people they must interact with in the 'sales'. The literature suggests that 'you meet a lower class of shopper in the 'sales'', meaning that the 'sale' shoppers may themselves downgrade a retailer's image. As there was no tactful way of phrasing this, the 'lower class of shopper' had to be abandoned to preserve goodwill. This was unfortunate, given intuitive links between the customers' influence on store images and the tendency for shoppers to trade-up to more prestigious or expensive stores during the 'sales'.

For the ten items specified in the belief set, no multivariate outliers were detected (Mahalanobis distance = .001). With the lowest communality value at .155 and the highest at .631, multicollinearity and singularity were not a concern. Initially, VARIMAX rotation specifying eigenvalues over one extracted two factors accounting for just 35.3 per cent of variance. Inspection of the scree plot suggested three factors, whereas the correlation matrix revealed that 84 per cent of residuals were above .05 and ten were above .300. These considerations led to a re-run of the factor analysis specifying three factors. The solution, shown in [table 1](#), accounts for 49.1 per cent of variance and showed no cross-loadings above .40. Belief factor 1 (BF1) brought together three scales which measure shoppers' scepticism about the 'sales'. 'Sale' scepticism is characterised by little faith in the existence of bargains and the belief that the rewards of 'sale' shopping are not worth the time and effort which must be expended.

Cluster Analysis: An Attitude Based Typology

Ward's preliminary hierarchical clustering algorithm indicated that three clusters should be extracted, as did the dendrogram using the average linkage method. Having identified the cluster centres or seed points, the hierarchical k-means algorithm was run specifying three clusters. The final cluster centres and the number of respondents belonging to each are shown at the base of [table 2](#). The solution is well balanced in terms of the percentage cases in each cluster. [Table 2](#) also details the mean cluster scores on the factor variables used to derive them. On the basis of these scores, [table 3](#) gives a more accessible verbal description of the attitudinal characteristics of each cluster.

The largest cluster, 'happy 'sale' shoppers', comprises more self-confident and low scepticism shoppers, who actually find the 'sales' fun. Their only qualms about 'sales' concern other people, be this fellow shoppers or poor service. A low score on the second image component, 'bargain basement', suggests that the chaotic adverse conditions may be a source of their experiential satisfaction (e.g., rummaging around cluttered stores and bargain bins). Despite their high self and system confidence, their 'price satisfaction' is only moderate. They prefer to have fun.

The profile of the second largest cluster is a stark contrast to the happy shoppers. Just over a third of respondents are scornful 'sale' shoppers. They are highly sceptical of 'sales', have neither confidence in the system nor themselves and see the 'sales' as an over-used strategy. Given these beliefs, it is not surprising that this cluster is characterised by neither high price satisfaction nor high fun. Despite being so negative, they do not feel particularly strongly about the changed store environment, with its extra clutter, crowds and queues. This may be because the adverse environment really does not register as that much of a change, with 'sales' perceived to be the perpetual state of retailing. Whether the stale 'sale' constitutes a plausible explanation or not, this cluster's cynicism is their principal objection to the 'sales' rather than any aversion to the physical 'sale' environment.

The smallest cluster is number one, profiling the 'trusting and tolerant' 'sale' shopper. This is the most price satisfaction driven of the clusters, the potential for which will be boosted by low scepticism and high confidence in the system. They are more trusting of the system than their own judgement, suggesting that shoppers in this cluster will be the most vulnerable to inflated 'sale' price comparisons (i.e., they will trust the system to tell them it is a bargain, rather than to use their own evaluation). This cluster is the most tolerant of other shoppers and poor service. The only factor which makes them less than the archetypal perfect 'sale' customer for retailers is their dislike of second rate, bargain basement 'sale' merchandise.

IMPLICATIONS

Results indicate that the 'sales' do temporarily reposition stores, the influence of which pervades well beyond the price dimension of image. As the 'expected reinforcement' (Kunkel and Berry 1968) from visiting a store or shopping mall changes during 'sales', so too must shopping motives to some extent. The importance of price is an obvious 'sale' motivator, but retailers should also try to be aware of the impact of non-price dimensions. Repositioning on these elements may be both inadvertent and difficult for management to recognise.

'Sale' images should be managed to reflect the preferences of target customers, within reasonable cost constraints. Management should determine whether their target 'sale' shoppers prefer a chaotic feel to the 'sales', perhaps to enhance their 'smart shopper' self-attributions or satisfaction gained through rummaging through bargain bins, or whether a 'bargain basement' image is totally off-putting. Again, this refers to the benefits of customising 'sales', constructing 'sale' programmes to meet the preferences of target 'sale' shoppers, instead of following traditional prescriptions. A more pleasant 'sale' shopping experience may even encourage custom from less price sensitive, less hardened bargain hunters, which could decrease the average markdown discounts necessary.

Being exploratory of an area largely neglected within the marketing literature, the study has left much scope for further exploration. In suggesting an extended taxonomy of 'sale' shopping motives, this study has illustrated how 'sales' can affect shoppers' social, personal and buying motives. The two motive factors suggest distinct sets of experiential and price satisfactions, yet it is probable that further, distinct constructs exist within each of these factors. There is no reason to presume that the freedom to spend money and boasting to other people, other price satisfactions, are inherently related. Similarly, items loading on the experiential scale cannot be assumed to be measuring the same driving force (e.g., rummaging for bargains, enjoying the 'sale' atmosphere and the fear of missing out). Differences across basic frequencies support the idea of separate composite constructs. Future research could identify these, to improve the pinpointing of any predictions. Retailers and academics would benefit from a better understanding of *why* shoppers are price or experientially motivated. Further research to distinguish between transaction and acquisition utility may adapt the framework of Lichtenstein et al. (1990).

Another, obvious limitation of this research is that it included only shoppers in the 'sales'. Although, on the one hand, the use of 'shoppers in context' represents a methodological strength, it does however exclude the potentially interesting 'sale avoiders', and probably oversamples the more avid 'sale' shoppers. While there is no reason to believe that many of the conclusions derived from a U.K. study cannot be generalised internationally, this study did identify international differences in the law and therefore the style of 'sales'. For example, it may well be that less shoppers are cynical about 'sales', in countries that restrict their duration and regulate price announcements more closely. Many other aspects of retail and cultural diversity are likely to create some differences in 'sale' attitudes, internationally. These propositions present a number of opportunities for future research to improve understanding of 'sale' shopping attitudes and their influence on behavior.

Table 1 Factor Analysis of Motives, Images and Beliefs

FACTORS	(Alpha)	Variables	% Agree	Mean	Factor Loading
MOTIVE FACTORS					
MF1 : Price Satisfaction	(.7898)		72.3	0.68	.7608
Feel smart paying less than others			75.6	0.82	.7435
Finding bargains first is satisfying			65.1	0.39	.6640
Will tell others of bigger savings			86.0	1.51	.6012
Annoying when cheaper later			68.9	0.69	.5626
Less guilty buying if reduced			61.2	0.21	.5584
Boast to friends and colleagues			51.4	-0.01	.4917
Retailers' getting comeuppance			78.1	0.79	.4165
Even small savings satisfying			89.0	1.48	.3908
Satisfying to get lowered prices					
MF2 : Experiential Satisfaction	(.6830)		51.5	-0.11	.7584
Rummaging is part of the fun			33.0	-0.83	.7253
Enjoying buzz of the crowds			37.0	-0.64	.5611
Do not like missing out			25.7	-0.74	.5207
'Sales' more fun nowadays			10.7	-1.33	.4963
Friendly towards other shoppers			41.0	-0.30	-.4497
'Sales' are not my priority					
IMAGE FACTORS					
IF1 : People Perception	(.6880)				
'Sale; shoppers more rud			78.5	1.01	.8046
Will walk all over you			76.0	0.93	.7788
Service and queues worse			81.0	1.16	.7216
Dislike the larger crowds			85.6	1.59	.4653
IF2 : Bargain Basement	(.6607)				
Leftover goods irritating			85.0	1.48	.8532
Stores too cluttered			86.7	1.48	.8024
IF3 : Stale Sales	(.6517)				
Main 'sales' easy to spot			63.6	0.44	-.8418
Last so long, hardly notice			76.7	0.95	.7032
BELIEF FACTORS					
BF1: 'Sale' Scepticism	(.5085)				
No such thing as a bargain			47.5	-0.02	.7313
Not worth time to shop carefully			38.5	-0.38	.7296
Careful shopping can save a lot			87.1	1.36	-.5695
BF2 : Confidence in System	(.4812)				
Original prices show value			66.5	0.48	.7452
Shoppers spot bogus offers			70.4	0.29	.7301
Well-know chains trustworthy			72.2	1.01	.5354
BF3 : Self-Confidence	(.4592)				
Best 'sale' buys when hurried			48.0	-0.08	.6245
Reductions always available somewhere			52.1	-0.02	.6122
Legislation protects consumers well			55.6	0.11	.5424
I am a good judge of value			92.0	1.58	.3782

Note: Variable labels are greatly abbreviated.

Each scale runs from Disagree strongly (-3) to Agree strongly (+3).

Table 2 Cluster Centres: Size and Characteristics by Beliefs, Images and Motives

Variable	Mean cluster score on variable		
	Cluster 1: Trusting and tolerant	Cluster 2: 'Sale' scornfuls	Cluster 3: Happy 'sale' shoppers
MF1 Price satisfaction	.2896	-.3680	.1632
MF2 Experiential satisfaction	.0490	-.7165	.5543
IF1 People perception	-.9777	.1751	.3048
IF2 Bargain basement	.6062	.0477	-.3735
IF3 Stale 'sales'	-.3236	.5784	-.3167
BF1 'Sale' scepticism	-.1440	.6503	-.4561
BF2 Confidence in system	.4500	-.3251	.0538
BF3 Self-confidence	-.2208	-.3392	.3896
Cases in cluster (%)	203 (21.0%)	349 (36.1%)	415 (42.9%)

Table 3 Cluster Characteristics: Verbal Descriptive Profiles

Cluster 1: Trusting and tolerant	Cluster 2: 'Sale' scornfuls	Cluster 3: Happy 'sale' shoppers
Low scepticism	High scepticism	Very low scepticism
High confidence in system	Low confidence in system	High self-confidence
Low self-confidence	Low self-confidence	High people factors
Low people factors	Moderate people factors	Low adverse conditions
High adverse environment	High stale 'sales'	Low stale 'sales'
Low stale 'sales'	Low save money	Medium save money
High save money	Low fun	High fun

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AN ANALYSIS OF EMOTIONAL APPEALS USED BY GLOBAL AND REGIONAL COSMETIC ADVERTISERS

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ABSTRACT

According to Mueller (1991), there are 4 traditional theories that explain advertising effectiveness. One of the most frequently used is the economic theory. In it, consumers are viewed as rational humans, who will make purchase decisions rationally. The basis for their decisions will be the information they receive from advertisements. This theory has provided the conceptual framework for much of the work done in the area of advertising effectiveness.

Previously, the author conducted an information content analysis of 111 cosmetic advertisements from regional and global competitors. The ads were run in 11 countries, including Turkey, the United States, China, the United Kingdom, India, Mexico, Australia, Germany, France, Russia and Japan. Each ad was rated on 10 of Resnik and Stern's (1977) 14 dimensions of potentially useful information for consumers. Three raters were employed to reduce biases and increase the reliability of the scores. The dimensions studied included the use of: theme, slogan, headline, body copy, model(s), background scene, packaging, product name as a focal point, and product attributes. The four dimensions labeled subheading, dialogue, music and product portrayal were not evaluated, as it was determined that they did not contain useful information for consumers within the sample.

The mean score for information content among the 11 countries differed significantly, leading to the conclusion that for cosmetics, different levels of information content are appropriate in different markets. This finding concurs with those of Hong, Muderrisoglu and Zinkhan (1987) and much previous research. Additionally, the data partially supported the common finding in this stream that U.S. ads contain less information than ads in other nations. Many scholars have reached similar conclusions, including Dowling (1980), Martenson (1987), Renforth and Raveed (1983), all of whom used Resnick and Stern's dimensions.

Despite the popularity of Resnick and Stern dimensions, this conceptualization does not incorporate all aspects of "information" that advertisements convey to consumers and potential consumers. It is obvious that no single model can capture all of the "information" that consumers gain from exposure to advertisements. Another valuable schema comes from Vaughn (1980). His model of advertising effectiveness addresses the economic aspects of consumer purchase decisions. It extends the "hierarchy of effects" model developed by Lavidge and Steiner (1961), which illustrates purchase behavior as a "learn-feel-do" sequence. Vaughn expanded the initial model by describing purchase decisions as being either logically or emotionally based. Thus, advertising may appeal to consumers' logic and/or emotions. The appeal to the consumers' emotions will be the focus of the current study.

This analysis will evaluate the 111 advertisements based on a subset of Pollay's (1983) 42 common advertising appeals. These include emotional appeals for products or services that are: effective, convenient, distinctive, natural, technologically advanced, relaxing, ornamental, enjoyable, youthful, sexy, durable, dear, cheap, healthy, safe and status-enhancing.

The objective of the evaluation will be to assess to what extent emotional appeals vary by country or region in cosmetic advertising. Planned analysis will include using familiar, quasi-familiar and novice raters to determine which emotional appeals are used in each ad, and if there are statistically significant differences among the nations studied.

Future analysis of the ads might include assessing to what extent they exhibit affective versus cognitive appeals, based on the work of Dube, Chattopadhyay and Letarte (1996). This should connect the findings of the first two evaluations, as well as provide additional insights into the overall effectiveness of cosmetic advertisements.

FIRMS' MARKETING MIX EFFECTIVENESS AND MODES OF ENTRY IN THE HOST COUNTRIES

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ABSTRACT

The theoretical underpinning of this paper is that the modes of entry adopted by firms investing overseas depend on the effectiveness of their marketing mix. These modes range from simple exporting and licensing to more advanced ones such as joint ventures and setting up wholly-owned subsidiaries. Applying the theory of internationalization of the firms from a marketing perspective, this study posits that the higher the level of marketing mix effectiveness of firms, the more likely they will commit to more advanced modes of entry. This relationship is tested using data from a survey of firms in Australia, Singapore and Hong Kong. Results from a polychotomous regression analysis, treating the entry modes as an ordinal progression, revealed that product quality, design, price competitiveness, language skills and multinationality contribute to the propensity of firms to choose more advanced entry modes. However, country differences among firms are found in the areas of advertising and reputation.

A CROSS-NATIONAL COMPARISON OF CONSUMER ENVIRONMENTAL ATTITUDES REPRESENTING FIVE MAJOR REGIONS OF THE WORLD

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ABSTRACT

This study examines the attitudes of consumers toward various environmental issues. The environmental issues include attitudes toward general consequences of environmental condition, attitudes toward human-nature relationship, attitudes toward science and technology, and attitudes toward local environmental problems. The consumers in this study represent five major regions of the world, including America, Arab League Nations (excluding Saudi Arabia), Europe, Saudi Arabia, South-Asia, South-East Asia and others.

INTRODUCTION

Consumer environmental attitudes have become not only the concern of environmental pressure groups but also of government policy makers and business managers. An understanding of consumer environmental attitudes in various regions of the world would be useful for all three above mentioned groups with respect to their activities directed at protecting the environment, changing consumer environmentally harmful behavior, reducing pollution, ensuring the compliance of environmental regulations, enhancing environmental knowledge and awareness, and encouraging environmental management practices.

RESEARCH OBJECTIVES

Utilizing a sample of 802 consumers representing the five major regions of the world, the paper examines the similarities and differences in attitudes toward various environmental issues among these consumers. The paper attempts to identify the dominant social views on environment in the regions of North America, Western Europe, Middle-East, South-Asia, and South-East Asia from their respective culture, religion, philosophy, science and literary works. Subsequently, attempts have been made to develop four hypotheses pertaining to the similarities and differences in consumer environmental attitudes in the five major regions of the world.

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A STRATEGIC PERSPECTIVE ON GREEN PACKAGING: CONCERNS AND ACTIONS

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ABSTRACT

The purpose of this study was to examine how firms are reacting disposable products and green packaging. As consumer's concern for environmental safety assumes greater importance, so will the interest in green packaging. As stated in the *Small Business Report* "Green can be converted into gold" by organizations adopting green packaging. The scope of consumer consciousness in green packaging can be seen by the popularity of Earth Day, movements like Green Peace, federally sponsored EPA environmental safety programs, environmental legislation passed by various states and more recently, various efforts to restrict certain forms of packaging. The success of green packaging depends primarily upon the attitudes of consumers expressed in their buying patterns. Are consumers willing to pay a little more for green packaging? Companies fear falling behind their competition because of the additional expenses of green packaging and therefore ask themselves three questions: (1) Is the risk of more expensive green packaging worth taking?, (2) Can the cost of green packaging be reasonably contained?, (3) Can additional expenses associated with green packaging be re-couped in a reasonable time? Some firms have resisted green packaging, including the recycling symbol itself. Five identified problem areas are: (1) symbols and definition of green packaging terms, (2) the high cost of investment expenditures, (3) mixed signals and information presented on whether or not a "solid waste" crisis exists, (4) governmental bias of accepted options of product recycling and reusing leading to satisfying governmental regulators rather than seeking solutions for positive long term effects on the environment and (5) most importantly to many companies, the unpredictability of consumer buying patterns.

Two set of questionnaires were pre-tested and developed to accommodate differences in organizational strategies of firms who have green programs in place and those firms that are planning to introduce them in the near future. Of 103 firms surveyed, 59 have adopted or plan to adopt green programs. Only 46 firms or approx. 45% had specific plans in place or planned. The percentage of major changes to accommodate green packaging by these firms included: (1) changes in material utilized; 31.7%, (2) changes in both production method and product; 26.7%, (3) change in a specific product; 26.7%, (4) and changes in production method. The prime reason found for a firm's hesitation to embrace green packaging was the uncertainty on their pricing and distribution policies.

MARKETING OF IDEAS IN SOCIAL MARKETING: A CASE STUDY

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ABSTRACT

This study attempts to explore the differences and relationships between social marketing and marketing of ideas, using, as illustrations, examples from a governmental institution with a new program in Brazil called Procel. The study establishes differences between orthodox marketing (business marketing), social marketing and marketing of ideas.

The basic aim of social marketing is to social changes mainly done through social campaigns, otherwise marketing of ideas could be described as the use of an administrative technology based on marketing theory to establish the social change planned through the sale of a product which has been denominated as a social idea. The aim of orthodox marketing is to make the exchange relationship profitable both for the organization and the consumer. The institution which intends to adopt social marketing will have to understand the deep feelings of individual in order to increase the acceptance or adoption of its product and will have to study the four types of social changes: cognitive change, change of action, change of behavior and change of value.

Procel and its specific program to combat electricity wastage was chosen as it illustrates the theory of marketing of ideas. All marketing theory is supported by orthodox marketing, the products and brands of tangible goods and consumer goods companies. When other types of unorthodox marketing such as technology, services and non-profit making organization marketing are analyzed. It is difficult to make adaptations mainly because there are still few cases which have been studied in depth. This study has tried to fill a little of this vacuum by examining a governmental institution whose main aim is to sell an idea. It will be useful for students and scholars in the area of marketing who are interested in working in unorthodox marketing ideas.

The product should be understood in a wider sense as anything that can be offered on the market to attract attention, be acquired or to be consumed: physical objects, services, personnel, places, organizations or ideas. Procel offers activities and services and its product can be defined as a set of activities, which attempt to combat electrical energy wastage so it has only an idea to sell. The price can be defined as the number of monetary units that the customers of the organization will exchange to acquire products in order to satisfy their necessities. In the case of Procel, the sale of its products takes place when the customer decides to make an investment to combat electrical energy wastage; the promotion is the marketing area which is most used by Procel, though somewhat unsystematically. The following activities are developed by the program: publication of manuals, brochures and leaflets; meetings with universities; seminars and workshops; the definition of regulation; and the publicity of the efficiency seal and the national prize for the conservation and rational use of energy. The distribution happens by a network of institutions and agencies, which take this idea from the producer to the points of consumption. This network is called a distribution channel and is particularly important when the target public of the company is disperse and heterogeneous like that of Procel.

The study was the result of various months of surveys and studies which here concentrate on the marketing mix. It may lead to a number of connected studies such as the bases for segmentation, positioning, planning and the marketing information system.

DISTORTED REPRESENTATIONS OF ETHNIC MINORITIES IN CONSUMER ADVERTISING: EFFECTS AND CONSEQUENCES

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ABSTRACT

The diversity of ethnic minorities in many technologically advanced countries is increasing, and the actual number of people in each group is growing. However, marketers in different countries are responding at different paces to the cosmopolitan composition of their societies. By international standards, Australian advertisers have been slow to recognize the communication challenges and opportunities of a modern multicultural society. Representations of non Anglo-Saxon groups in Australian advertising are often based on distorted and inaccurate stereotypes. One possible repercussion of such distorted representations is that Australian audiences may form an inaccurate view of specific cultural groups. To test the effects of distorted representations of ethnicity on consumer attitudes, an experiment using pre and post-treatment questionnaires was conducted. Two television advertisements were selected, each featuring a specific ethnic group. Following the completion of a pre-test questionnaire to ascertain perceptions on that cultural minority, one advertisement was shown to each group. A post-treatment questionnaire was then administered. Results confirm that both advertisements had a significant and negative impact on attitudes towards the ethnic group in question.

REGULATING COMMERCIAL SPEECHES ON THE INTERNET IN TAIWAN: A SURVEY OF ADVERTISING PROFESSIONALS ABOUT WEB ADVERTISING PRACTICES

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INTRODUCTION

With the popularity of the Internet and the World Wide Web, on-line shopping via the Internet has created a brand-new environment for advertising professionals. Current time-insensitive pricing model has also made the Internet a more attractive medium than conventional media. In spite of all these claimed benefits of advertising on the Internet, an important, but often ignored, issue is what impacts that web advertising will have on existing national and international advertising practices and regulations. In this paper, I would look into the attitude and perception of advertising professionals toward Internet advertising and its regulations in Taiwan.

RESEARCH OBJECTIVES

This paper is specially aimed to discuss the following questions: 1) What are the attitudes of advertising professionals in Taiwan toward Internet advertising? 2) How do they evaluate different Internet advertising practices (e.g., comparative and deceptive advertising, advertising to children, advertising of special products like alcoholic beverage, tobacco, drugs and medicine, pornographic materials, etc.)? 3) What do they think of the impacts of Internet advertising on existing advertising laws and regulations? 4) What responsibilities do public or commercial on-line services have as to Internet advertisements distributed via their services?

METHODOLOGY

This research employed a questionnaire to survey a total of 298 advertising practitioners selected from advertising agencies in Taiwan. Sixteen 5-point Likert-scale statements were used to survey their awareness of, knowledge of, and attitude toward Internet advertising, its practices and regulations. The Cronbach alpha value is equal 0.6826. Eleven 2-point questions were used to examine their attitude toward the types of advertised products and practices to appear on the Internet advertising. The Cronbach alpha value is equal 0.7404. In addition, several multiple choice questions and open-ended questions were also used to obtain their demographics information.

RESULTS AND DISCUSSIONS

Advertising practitioners in Taiwan have agreed that Internet advertising will affect the future of advertising (mean=3.69, SD=.98), and that it contains more information (mean=3.81, SD=.95). However, many of them have doubts about its effectiveness (mean=2.40, SD=.85) and do not prefer this type of advertisement (mean=2.56, SD=.74). The findings suggested that advertising practitioners have a reserved attitude toward the commercial potential of Internet advertising in Taiwan, which may be due to the lukewarm response of many local advertisers toward Internet advertising and consumers' unwillingness to shop online.

Advertising practitioners in Taiwan have agreed that there are a lot of problems regarding the regulation of the Internet advertising (mean=4.12, SD=.76) and there is an urgent need for international standard (mean=4.15, SD=.83) and new regulatory regime (mean=4.10, SD=.88) for Internet advertising. Advertising practitioners have also agreed that commercial information service providers (mean=3.89, SD=.96) and international advertisers (mean=4.10, SD=.81) should be responsible for the contents of Internet advertising. However, they do not favor an industry self-regulatory mechanism (mean=2.41, SD=.89). The results indicated that most advertising practitioners are aware of the effect of Internet advertising and view an international advertising regulatory regime to be necessary. However, due to the competitive market situation and the lack of neutral regulatory organization, they do not favor self-regulation mechanism at this stage.

Regarding appropriate advertising practices on the Internet, advertising practitioners surveyed have indicated that untrue advertising (mean=1.95, SD=.21), and advertisements of cocaine (mean=1.95, SD=.23), liquor (mean=1.45, SD=.50), pornographic products (mean=1.71, SD=.46), and cigarette (mean=1.51, SD=.71) should not appear on the Internet, while those of comparative advertising (mean=1.11, SD=.31), advertising targeting children (mean=1.17, SD=.37), the disabled (mean=1.03, SD=.17), and senior citizens (mean=1.06, SD=.24) are appropriate. The results suggested that advertising practitioners in Taiwan tend to adopt the same standards toward Internet advertising as those appearing in traditional media.

REFERENCES AVAILABLE UPON REQUEST

THE INFLUENCE OF PRIOR EXPERIENCE ON AMOUNT OF SEARCH AND SEARCH CORRELATES: A STUDY FOR COMPUTER SEARCH BEHAVIOR OF INDUSTRIAL FIRMS

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ABSTRACT

We have been recently witnessing in marketing a growing interest in the study of organizational search behavior (e.g., Bunn 1994; Dholakia et al. 1993; Doney and Armstrong 1996; Heide and Weiss 1995). As Moorthy et al. (1997) have argued, understanding consumers' information search behavior is crucial to firms' strategic decision making. Correspondingly, empirical research on individuals' information search behavior has been a long tradition in marketing (Beatty and Smith 1987; Newman 1977; Punj and Staelin 1983; Sirinivasan and Ratchford 1991; Urbany et al. 1989). Similarly, Johnston and Lewin (1996) argue that in order to succeed in business-to-business markets selling firms must possess an understanding of customer firms' buying behavior. They also claim that such an understanding in organizational buying may be difficult to achieve because organizational buying behavior, as opposed to individual consumers' behavior is often a multiphase, multi person, multi departmental, and multi objective process. This dynamic and intricate process frequently presents sellers with a complex set of issues and situational factors that directly and indirectly influence buying firm behavior (Johnston and Lewin 1996).

The purpose of this study is to further explore the nature of the relationship between information search activity and prior experience from the organizational buying perspective (e.g., Moorthy et al. 1997; Ozanne et al. 1992; Schmidt and Spreng 1996; Johnson and Russo 1984). Ozanne et al. (1992), for example, explain the inverted-U relationship in terms of consumers' willingness to undertake the greatest amount of processing to reduce the uncertainty that is present when the discrepancy level is moderate. On the other hand, Moorthy et al. (1997) indicate that there is an inverted-U relationship between a consumers' purchase experience and amount of search. This is also supported by Johnson and Russo's (1984) laboratory findings, which also provides evidence for the U-shaped relationships between relative brand uncertainty, cost of search and experience. They conclude that increasing expertise and knowledge together are responsible for moving the consumer from perceiving the market as consisting of homogenous brands, to a perception consisting of partially differentiated brands, to ultimately perceiving it, as the experience increases, as consisting of fully differentiated brands.

Specifically, this study explores the nature of relationship between prior experience and amount of search as well as the search correlates (i.e. number of brands and attributes considered, relative brand uncertainty, and cost of search) for computer search behavior of individual firms. The empirical evidence provided by the previous research argue that the relationship between prior experience and information search may be either positive or negative or inverted-U shaped (for equivocal results see Weiss and Heide 1993; Brucks 1985; Johnson and Russo 1984; Moorthy et al. 1997).

The data were collected by a national sample of industrial firms drawn from the directory of the 500 largest Turkish firms that compiled by the Istanbul Chamber of Industry. For the formal study a systematic random selection method was used to draw a sample of 200 firms from the list. Overall, 81 useable questionnaires were received, for a 40.5% response rate. To operationalize the constructs (i.e. experience, relative brand uncertainty, cost of search), the measures used by previous studies (i.e. Weiss and Heide 1993; Moorthy et al. 1997) were adapted into this study. Log-linear regression analysis was used to assess the effect of prior experience on the firms' amount of search and search correlates.

The results revealed that there was an inverted U-shaped relationship between firms' purchase experience and amount of search. It was also found that as experience increased, the number of attributes on which the firm compared brands increased and the number of brands considered went down. Moreover, relative brand uncertainty indicated an inverted U-shaped relationship with experience, and the U-shaped relationship between cost of search and experience.

MODELING OPERATIONALIZED MEASURES OF CUSTOMER LOYALTY

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ABSTRACT

How can customer loyalty be operationalized and measured? The marketing literature has taken several approaches to understanding the basis of customer loyalty. Oliver (1997) defines loyalty as "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior" (p. 392). Brand loyalty, service loyalty, vendor loyalty, and store loyalty have each been studied and some attempts at operationalized measurement have occurred.

Customer loyalty can be a source of sustainable competitive advantage. A loyal customer base allows the firm the opportunity to better focus resources (Dick and Basu 1994). The goal is to develop predictive models so that loyalty profiles might be developed for each segment within the customer base. The firm could focus resources on those segments with a high potential for loyalty and on developing new products to sustain and enhance those customer relationships as opposed to futile retention efforts for those segments with a low potential for loyalty. However, the benefits of customer loyalty are only obtainable to the degree that accurate and predictive models and measures of customer loyalty can be developed.

The purpose of this research is to review the relevant literature on customer loyalty and to present an operationalized and measurable model of customer loyalty. One goal of this effort is to develop measures which could feasibly and realistically be utilized by a firm to identify and assign loyalty profiles to customer segments within a large customer base.

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EXAMINING THE TESTING EFFECTS OF REPEATED MEASURES OF ATTITUDES

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ABSTRACT

The author presents findings from an exploratory study that provides insights for future research on the possible “testing effects” of repeated measures of attitudes. This research uses an experiment with multiple measures of attitudes over a relatively long time period. It also uses multiple control groups to detect whether student subjects try to appear consistent and not change from their initial self-reports of attitudes.

The present study is part of an ongoing series of repeated-measures-experiments examining the attitudinal effects of manufacturer-sponsored, direct consumer premiums (also referred to as free-gift-with-purchase premiums) in different time periods. These studies extend previous work on the short-term behavioral effects of direct consumer premiums in promotion time periods (e.g., Campbell and Diamond 1990; Seipel 1971), and investigate delayed effects in post-promotion time periods. The basic issue that these studies address is: if direct consumer premiums influence subjects’ attitudes-toward-promoted-products in promotion time periods, do certain direct consumer premiums continue to stimulate delayed attitudinal effects in post-promotion time periods?

Although some researchers (e.g., Churchill 1995) criticize studies with repeated measures of attitudes because of possible problems associated with testing effects, the present series of studies use repeated measures to study attitude formation and change, and to examine long-term delayed effects. Findings from recent research by Castleberry et al. (1994) on re-interviewing individuals and measuring attitudes over long periods of time, indicate no problems with testing effects (however, these researchers state that more work is needed on examining attitude stability over time).

The primary purpose of the present study is to try to detect whether different testing effects exist in the present, ongoing series of experiments and assess its impact, if any, on findings from these experiments. The present study examines two levels of complementary linkage (i.e., consistency, match, or overlap) between direct consumer premiums and promoted products. Previous work by Prentice (1975) suggests that higher-complementary linkage direct consumer premiums (e.g., free razor blades attached to cans of shaving cream) stimulate more enduring attitudes-toward-promoted-products in post-promotion time periods than lower-complementary linkage direct consumer premiums (e.g., free pens attached to cans of shaving cream). However, up until now, the attitudinal effects of direct consumer premiums in post-promotion time periods have received no direct research attention.

The repeated-measures part of the present study uses three groups and four different measures of attitudes over a time period of two weeks and two days. The study uses two groups to investigate the impact of higher- and lower-levels of direct consumer premium complementary linkage. The study also uses one group as a control (no-direct consumer premium promotion) to examine the overall effects of the promotion and to cope with possible history effects (i.e., whether extraneous variables influence the dependent variables). The part of the present study that check the possible testing effects uses four “new” control groups, where subjects are measured only once. That is, subjects in the first new control group are measured in session one only, subjects in the second new control group are measured in session two only, etc. Then responses of subjects in the new control groups are compared to subjects’ responses in the control group with repeated measures.

Preliminary results indicate little, or no, problems with subjects trying to appear consistent. More specifically, the findings suggest that there are no differences between results from each of the four new control group subjects and those from the control group with repeated measures. Hence, the repeated measures themselves have no effect on the subjects’ responses.

ACCURATE RESEARCH RESULTS? A SOCIAL DESIRABILITY BIAS INVESTIGATION

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ABSTRACT

When marketing researchers construct scales to measure attitudes and/or behavior, we are hoping to elicit consumers' true feelings or actual behaviors with regard to some phenomenon. When individuals respond to surveys, however, a variety of factors influence the accuracy of their responses. Their particular mood at the time, the topics and ideas which are uppermost on their minds, their ability to understand the questions, their motivation to take the survey seriously, etc. Issues of questionnaire design and wording often address these concerns: how to design and word a survey to overcome these problems. One issue which has received less attention than others is social desirability bias. Social desirability bias refers to the tendency of respondents to provide answers which present them in a favorable light, regardless of their actual attitudes or behaviors.

In the field of psychology, social desirability bias is thought to be a sufficiently common phenomenon so that many studies incorporate a social desirability scale as part of the research. The same has not been true of consumer behavior research. Very few studies have incorporated a social desirability scale, even when the focus of the research has been on a topic which would seem to mandate a concern for such a bias -- research into dark side variables, such as drug use, compulsive buying, gambling, materialism, Machiavellianism, self-monitoring, and other socially sensitive issues and characteristics.

The magnitude of social desirability bias is unknown in consumer research, however the consequences are apparent. Social desirability responding has the potential to bias the answers of the respondents. In addition, perhaps some studies have failed to show significant relationships between constructs where they in fact exist, or in other cases produce 'spurious' relationships where they don't really exist. Researchers must consider whether social desirability has a theoretical link to the construct under investigation in order to determine the appropriate method of handling it in research studies. This paper investigates the issue of social desirability and its impact on the validity of research results as well as suggestions for accounting for this factor in research design. In addition, results from a study investigating the relationship between social desirability, Machiavellianism, and self-monitoring are reported. Implications and recommendations for investigating and controlling social desirability bias in consumer research are discussed.

ONLINE REEVALUATIONS OF ATTRIBUTE INFORMATION IN SEQUENTIAL CONSUMER CHOICE

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ABSTRACT

Much of the literature that has looked at reevaluations of attribute information has assumed that they occur post-decisionally. For example, Svenson and Benthorn (1992) showed that individuals reevaluated attribute information post-decisionally in order to “protect” the chosen alternative (i.e., to increase its attractiveness). The current work investigates such reevaluations as they occur during a decision (i.e., online) as opposed to post-decisionally. Specifically, three issues are addressed: 1) when do online modifications occur (e.g., close to the end of the search process; when alternatives are poorly differentiated?), 2) does the pattern of reevaluations suggest the occurrence of a motivational bias, namely that most reevaluations favor the currently leading alternative? 3) which attributes are chosen for reevaluation, e.g., the most important attributes vs. those that are most undifferentiated between the competing alternatives?

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USING UNCORRELATED CONJOINT CHOICE DESIGNS IN A WORLD OF CORRELATED BELIEFS

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ABSTRACT

In the real world of consumers' experience, brand names are often correlated with perceived product quality, as well as prices. Not surprisingly, consumers act upon these beliefs in their daily purchase decisions by using brand names to "chunk" information. In conjoint analysis, however, consumers are typically presented with an orthogonal world, where attributes such as brand, quality and price may be uncorrelated. There is concern that the simplifying strategies that are appropriate in a correlated world are eventually adapted after exposure to an orthogonal one, such as that experienced in conjoint analysis tasks. However evidence is mixed concerning failure of orthogonal conjoint designs to predict choices when attributes are correlated.

The purpose of this experimental study is to examine how consumers experience with attribute correlations influences their decision making in a conjoint choice task. In particular, we consider whether decision strategies that are appropriate in a correlated context are transferred to an orthogonal environment. Previous studies have considered the effect of more or less exposure to orthogonal designs on relative attribute importance, or the ability of models based on orthogonal tasks to predict to non-orthogonal environments. In this paper, we manipulate the correlational structure of a prior conjoint task much like Green, Helsen and Shandler, (1988) but we compare the coefficients of brand and price attributes derived from subsequent orthogonal choice models, rather than predictions. Predictions of rank order preferences or first choices may be benefiting from the robustness of linear models where given monotonic preferences and measurement error, weights don't matter much if additive models are appropriate.

METHOD

Two hundred and fifty nine undergraduate business administrations students were selected as the sample in order to provide experimental control and accommodate the necessary number of conditions. The between-subjects experimental design manipulated three prior conjoint ratings conditions to act as a prime before an orthogonal choice task. The priming conditions included conjoint ratings tasks that were: orthogonally designed; positively correlated, with a correlation of .75 between brand name and quality; negatively correlated, with a correlation of -.75 between brand name and quality. A fourth condition had no prime prior to the choice task.

RESULTS

A manipulation check was conducted by estimating main effects models from the ratings experimental tasks. No coefficient was estimated for the attribute correlated with brand name due to multicollinearity violations. Estimated brand coefficients were consistent with expectations for the correlation condition. Brand importance and brand importance relative to price was greatest when brand was positively correlated with quality and was least important when brand was negatively correlated with quality. Positive correlations led to more extreme evaluations of the brands and negative correlations produced "discounted" brand evaluations, where more attention was placed on other attributes such as price.

From the choice data, we were unable to reject the null hypothesis of model equality given varying scale for comparisons of the orthogonal, negative and positive prime with no prime conditions, and between the orthogonal prime and positive or negative prime conditions. The results of Swait-Louviere scaling tests of model equality, demonstrate that model parameters estimated from orthogonal choice tasks are invariant across experimental conditions and compared to a no prime condition. Orthogonal conjoint and choice designs may not replicate the correlations found in the real world but the strategies modeled from them do not appear to be sensitive to them.

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SALES PROMOTIONS: A MULTIPLE INTERVENTION TIME SERIES APPROACH

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ABSTRACT

The sales promotion data resulting from multiple marketing strategies are usually autocorrelated. Consequently, the characteristics of those data sets can be analyzed using time series and(or) intervention analysis. This paper considers the cases in which multiple interventions and the uncertainty of future interventions exist in the system. In addition, this study utilizes a set of real sales promotion data to demonstrate the effectiveness of the proposed approach.

INTRODUCTION

Typically, many time series methods could be used to analyze promotion activity. For example, the well known autoregressive integrated moving average (ARIMA) method could be used to model the data, and forecasts can be obtained from the ARIMA model. In addition, intervention analysis (see Box and Tiao, 1975; Leone, 1987; Tiao and Tsay, 1994) could be used to examine the results of unusual conditions, such as strikes and changes of government policy. This paper is different from traditional methods as it covers multiple marketing strategies and develops a scheme to account for the increasing challenge of modelling sales promotion data. In contrast to the conventional approach of modelling single (or few) intervention effects, this study involves several (or many) interventions. In addition, future interventions will not conform precisely in substance and duration to previous interventions, so it is difficult to project their effects on sales.

RESEARCH OBJECTIVES

This research discusses two important practical issues:

- 1 - a set of sales promotion data contains multiple interventions.
- 2 - the type of future interventions are not exactly the same as existing ones.

This study considers a methodology to manage these two practical issues so that the quality of forecasts can be retained. The proposed approach is demonstrated by using a set of real sales promotion data.

CONCLUSIONS

Sharpening competition in markets worldwide has brought new urgency and importance to the pursuit of effective marketing strategies. Remaining competitive often demands that diverse and divergent marketing strategies be adopted to stimulate growth in sales and build market share. However, as I have seen, the pursuit of multiple strategies immensely complicates the analysis of sales data, the assessment of strategies' effectiveness and the projection of future strategies' effects on sales. These marketing and inventory difficulties may result in substantial financial drains. Without a reliable method of forecasting future sales, firms run the mirror risks of either overstocking or understocking products, resulting in either inventory losses or unsatisfied market demand.

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USEFUL INFORMATION EXCHANGE IN NEW PRODUCT DEVELOPMENT: DIFFERENCES IN DEFINITION

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ABSTRACT

In spite of the improvements made in information sharing between functional areas, organizations continue to experience difficulties linked to less-than-effective information sharing. The importance of more than simply sharing information is demonstrated in a study by Hise, et al. (1990). These researchers found instances where increased communication between functional areas was dysfunctional. The desired outcome is not to simply increase the sharing of information, but rather to increase the usefulness of information shared. According to Schrage (1990), information sharing between people with diverse, specialized backgrounds result in innovative solutions and innovative products. Schrage envisions information sharing as a much richer process than communication or teamwork. Information sharing results in the creation of value that maximizes the creative inputs of each member of the group involved. As stated by Schrage (31):

...Most groups recognize (the obstacles of complexity) and struggle to do whatever they can to communicate better. Caught up in the communication paradigm, they believe that more communication can compensate for their differences, so they call in human-relations trainers and go on Outward Bound-style camping trips to build better interpersonal bonds. What's necessary isn't more communication but rather a different quality of interaction.

We can learn more about information sharing by examining the perceived usefulness of the information shared between the functional areas involved in new product development. Identifying what specifically results in information being perceived as useful between Marketing, Manufacturing and R&D during new product development will enable organizations to better manage innovation and new product development. Usefulness is in the eyes of the beholder, and may be defined differently by different functional areas.

This exploratory study examines the perceived usefulness of information shared between Marketing, Manufacturing and R&D during new product development. The perceived usefulness is examined for specific characteristics of the information itself and for characteristics of the relationship between the functional areas sharing the information. Using a series of Likert-type response questions in a mailed survey, managers were asked to indicate their agreement with statements about the twelve information factors and the perceived usefulness of information shared between functional areas. Managers were asked to indicate this for information shared between Marketing, Manufacturing and R&D during new product development. Each manager was asked to indicate his/her responses about information received from both of the other two functional areas. (Thus, R&D was asked to evaluate the information received from Marketing and Manufacturing.) Respondents were asked to confine their responses to the information shared during an individual, specific new product development project or program, but were not asked to identify the particular program or project.

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AN INTEGRATED MODEL OF TYPE OF COMMITMENT AND TRUST ON QUANTITATIVE AND QUALITATIVE OUTCOMES OF NEGOTIATION

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ABSTRACT

The belief that trust and commitment have a positive influence on negotiations is pervasive among negotiation researchers (Fischer & Ury, 1981; Raiffa, 1982). Researchers have tested direct effects of trust and commitment on negotiation outcomes as well as mediated effects (e.g. of cooperation) and moderated effects (e.g. of information sharing). Further, outcomes have been measured in terms of some tangible currency of exchange (Rubin & Brown, 1975) or in relational terms (Anderson & Narus, 1990). Parallel streams of research in this area continue in the fields of marketing and management.

The current research aims to integrating the research on antecedents and outcomes of negotiations in the two related fields of marketing and management. Specifically, the influence of trust and various forms of commitment in a relationship is studied on negotiation behavior, relationship strength, and quantitative joint outcome payoff. Hypotheses are tested relating the levels of trust (low, moderate, high) and type or form of commitment (structural or intrinsic) to integrative/distributive behaviors, strength of the relationship to withstand shock/risk, and the optimal levels of joint payoffs. The moderating role of Interaction Complexity was also tested. Data were collected using a longitudinally structured experiment with partners role-playing to be either the buyer or the seller in negotiations. The negotiating partners were tracked through three negotiations with before-after measures taken at each stage. The interaction complexity was manipulated by varying the complexity of the negotiation context. The longitudinal design would help in tracking the formation of trust and commitment over subsequent rounds. Other covariates to be tested for influence include gender effects and nationality/language effects since the sample was demographically diverse.

The findings from this research would help buyers and sellers understand the formation of trust and commitment and their influence on negotiations, the relation between relationship strength and joint outcomes, and the impact of the complexity of the negotiation interaction on commitment, relationship strength and joint outcomes.

THE EFFECTS OF SALESPERSONS' PERCEPTIONS OF CUSTOMER TRUST ON SELLING BEHAVIORS

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ABSTRACT

This paper examines the role of salespersons' perceptions of the level of customer trust on selling behaviors. Recent empirical studies have confirmed the importance of trust in developing buyer-seller relationships (Morgan and Hunt 1994). This study examines the degree to which customer oriented selling, adaptive selling, and bargaining behaviors of salespersons vary with customer trust. Given that selling behaviors directly affect salesperson performance, the effects of salespersons' perceptions of customer trust on selling behaviors are likely to have significant managerial implications.

A questionnaire was mailed to a national random sample of 3909 industrial salespersons. The mailing yielded 241 usable responses. After accounting for undeliverable envelopes, partially or uncompleted questionnaires, and ineligible responses, the response rate was 10.39% (Churchill 1991). The 24 item SOCO scale (Saxe and Weitz 1982) was used to measure customer oriented selling. The 16 item ADAPTS scale (Spiro and Weitz 1990) was used to measure adaptive selling behaviors. Bargaining behaviors of salespersons was measured using six items which were gleaned from past studies. Salesperson performance was measured using the 31 item scale developed by Behrman and Perreault (1982). Salespersons' perceptions of customer trust were measured using seven items which were borrowed from past studies. The measures were reliable.

Results indicated that salespersons' perceptions of customer trust were significantly positively related to SOCO, ADAPTS, and integrative bargaining behaviors. These selling behaviors were significantly positively related to sales performance. Consequently, salespersons tend to be more customer oriented and more adaptive with trustworthy customers. Trust was significantly negatively related to distributive bargaining behaviors. In addition, distributive bargaining behaviors were significantly negatively related to SOCO, and negatively related to ADAPTS. Empirical support exists for more integrative and less distributive bargaining behaviors by buyers who had a preconceived notion that a seller is trustworthy (Schurr and Ozanne 1985). Thus, improving the level of trust in salesperson-customer relationships is likely to improve sales performance.

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INTERFIRM TRUST AND DEPENDENCE ASYMMETRY

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ABSTRACT

Recent empirical work in channels has produced only weak support for the argument that “as the interdependence asymmetry increases, conditions become more aversive to the development of trust or commitment” (Kumar, Scheer, and Steenkamp 1995 p. 350). The more powerful party is expected to behave opportunistically and exercise power and punitive actions for self gain in asymmetrical dependence structures (ibid). To elicit a partner’s cooperation, the more powerful party does not need to cultivate its partner’s trust or commitment because it can use its relative power to the same effect. For the less powerful firm, trust and commitment would be impractical, too, because “such sentiments render it more vulnerable to its partner’s opportunism” (ibid, p.350).

In this paper, we expand and modify the above explanations by adding a new concept to the model - anticipated future benefits from the relationship. We first relate this variable to the standard definition of dependence (Emerson 1962) and its typical operationalization in the literature. Next, we argue that it is the expectation rather than the current situation which governs the behaviors of both partners. More specifically, this anticipation of future benefits will have a negative impact on opportunistic behavior. The more powerful party is less likely to behave opportunistically because it may decrease the chance of reaping these anticipated future benefits. Since opportunism is not even an option for the less powerful partner (Provan and Skinner 1989), the stage is now set for the development of mutual trust (Morgan and Hunt 1994). We discuss a series of hypotheses that we derive from our model and outline a research agenda to empirically test them.

RELATIONSHIP MARKETING STRATEGIES IN THE LIFE INSURANCE INDUSTRY: A REVISED FRAMEWORK AND A CROSS-NATIONAL COMPARISON

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ABSTRACT

Relationship marketing has been widely researched in the past decade in western society. Unfortunately, its examination in eastern society is limited. Given different cultural backgrounds between eastern and western societies (Hsieh 1994) and the possible influence of culture on marketing strategies, relationship marketing frameworks tested with data collected in western society may not be appropriate when applying to eastern society. To solve this problem, this paper intends to establish a revised relationship marketing framework that is more appropriate for eastern society. This paper examines the relationship marketing strategies employed by life insurance firms in Taiwan and Southeast Asian Countries. The results indicate that some of these relationship marketing strategies are different from those that are only tested with western firms. Furthermore, even within Asia, the emphasis of relationship marketing strategies between firms in Taiwan and in Southeast Asia is different. The former cares more about communication with customers whereas the latter mainly utilizes personal relationships as their primary relationship marketing strategy. Both CUSTOMER ORIENTATION and COMMUNICATION strategies are related to marketing performance.

It is clear that certain factors unique to Asia, such as repay, face and favor, should be taken into account, if we are to generalize the relationship marketing frameworks to this area. Having this in mind is especially important for international businessmen who are interested in doing business in Asia. Some of these unique cultural values may be the bottom line of doing business in Asia, such as face and repay. This indicates that without recognizing the importance of these cultural elements, marketing people often make mistakes, which usually cause a failure in conducting business. However, taking care of another party's "face" and keeping the concept "repay" in mind cannot ensure success, at least in the life insurance industry. In addition to being customer oriented, providing favors, which may include regular contacts and care, is critical in Asia.

It appears that, even within Asia, different emphasis on relationship marketing strategies exists between countries or areas. This paper is only a start to explore possible relationship marketing strategies adopted in Taiwan and Southeast Asia. Interested scholars may have new discoveries by continuous research into the interaction between Asian cultures and their firms' relationship marketing strategies and international businessmen can also benefit from these findings.

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EMERGING ROLES OF THE INDUSTRIAL SALESFORCE IN AN ERA OF LONG TERM RELATIONSHIPS

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ABSTRACT

The industrial salespersons play extremely important roles in selling their firms' offerings to the industrial buyers. Typical roles performed are, seller of products, order handler, service provider, information manager, participation in conferences or meetings, facilitator in management of new sales, entertainment of buyers, and establishing of relationship with distributors (Anderson 1992; Belasco 1966; Buskirk and Buskirk 1992; Christian 1962; Futrell 1993; Moncrief 1986). The conceptualization of these roles has remained relatively invariant over the past three decades except for the delineation of roles and increased emphasis on service. These roles were conceptualized with a competitive view of the buyer-seller market (Arndt 1979; 1983). According to the principles of Economics, in competitive markets exchanges between buying and selling firms are carried out under the autonomous decision processes of firms and the market forces guide the allocation of resources and rewards to them through "invisible hand." In short, these roles were developed to enable selling firms to compete with buying firms for the yields of sales transactions. Little or no emphasis was placed on the management of long term relationships with buyers rather, buyer cooperation is assumed to emerge from the extent of its dependence on the seller.

Over the past two decades, the industrial firms have experienced a gradual emergence of an era of long term buyer-seller relationships. More and more firms have been opting for long term relationships to obtain advantages of synergy such as lower operational costs, reduction in redundant activities, faster product development, preferential treatments from partners, and better working relationships with channel members (Anderson and Narus 1990; Frazier, Spekman, and O'Neal 1989; Kamath and Liker 1994; Hennart 1988). Examples of such relationships include vertical or horizontal integration, joint product development, strategic alliance, long term associations, franchising (Arndt 1979; Bucklin and Sengupta 1993; Kamath and Liker 1994; Varadarajan and Rajratnam 1986). Long term relationships between buyers and sellers are established over time and Trust and Commitment between them are the main pillars of cooperation. However, long term relationships replace competitive markets with "domesticated" markets--inter-organizational cooperative frameworks (Arndt 1979). Transactions in domesticated markets are conducted within the agreed rules of cooperation. In short, in a long term relationship, a buyer and a seller behave like a team and compete with other teams of buyers and sellers in the markets for finished products rather than competing with each other for the yields of specific transactions.

This change in the buyer-seller market is a fundamental change in the assumptions of the market. The salesforce roles conceptualized with the competitive view of the buyer-seller market may be inadequate in the domesticated buyer-seller markets as they operate under a different mechanism. As boundary spanning personnel of their firm, the primary focus of the salesforce roles would be to help their firm in establishing and maintaining a profitable long term relationships as opposed to the yields of a specific transaction. The conceptualization of the Industrial salesforce roles has remained relatively invariant over time even though the operating environment has changed tremendously. Absence of clearly defined roles has serious implications for salesforce selection, training, and management. Till date, no serious work has appeared on this serious issue.

The primary purpose of this work, therefore, is to offer a relationship-based conceptualization of salesforce roles. In this pursuit, we examine the developments in the industrial world, the relationship paradigm, the salesforce roles over the last three decades, and their adequacy in an era of long term relationships. Implications for the training, selection, and management are also discussed. Based on the works of Anderson (1995), Arndt (1979), Dwyer, Schurr, and Oh (1987), Frazier (1984), Morgan and Hunt (1994), and Wilson (1995), the proposed conceptualization entails roles in areas such as searching for relationship oriented partners, negotiation for terms of exchange, and formalization of buyer-seller inter-organizational framework. Adequate attention has also been paid toward the maintenance and/or dissolution of the relationship.

RELATIONSHIP MARKETING: VIEWING THE STATE-OF-THE-ART ACROSS PERSPECTIVES

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ABSTRACT

Relationship marketing has emerged as one of the dominant frameworks guiding marketing theory and practice. Yet, recent evidence suggests that there is no consistency in efforts at theory development in the field to date. There are several reasons for this diagnosis. First, relationship marketing has been examined from various perspectives within the field of marketing. While it is understandable that relationship marketing would focus on different issues in different contexts (e.g., services versus channels versus business-to-business markets) no synergy has developed among the various findings. Second, as a result of the compartmentalized approach, key constructs such as trust, equity, and commitment, have been operationalized many different ways. Again, this fragmentation leads to an incomplete picture and findings of limited practical application. Third, most of the scholarly research, regardless of perspective, has focused on relationship formation and not relationship maintenance, redefinition and dissolution. The primary purpose of this paper, therefore, is to develop a general theoretical framework for examining marketing relationship development as a dynamic process over which relationships continue to evolve. The proposed framework is based on the premise that the nature of dominant influencing constructs--trust, equity, and commitment, for example--change as a relationship develops, and that the relative importance of the dimensions of each construct may vary at different phases of a relationship.

Drawing on the precepts of the social penetration theory, the Dynamic Marketing Relationship Framework is proposed. Social penetration theory suggests that the development of close relationships is a gradual and continuous process that involves evaluation and re-evaluation. The axes for the framework are degree of "intimacy" or connectedness (how firms meld) and nature of the interaction (intensity, level of disclosure, etc.). Two distinct processes (formation and maturity) are described which define marketing relationships. Formation represents initiation into the exchange process. This process encompasses partners evaluating each other's potential and developing expectations regarding the relationship. Maturity captures how relationships continue to evolve once a foundation has been established. There are many possible directions a relationship can take as a part of this process--growth, status quo, dissolution or even regressing to previous levels of intensity or connectedness. These processes are separated by a "zone of transition." During this juncture, parties to a relationship have the opportunity to assess their situations and the potential contribution of each partner to the relationship. Partners may use this transition period to clarify any issues that may have emerged through their experiences in the formative periods.

Three critical constructs, identified from examination of studies across perspectives, form the bases for the discussion of how relationships continue to evolve in each of the elements of the framework (formation, zone of transition, and maturity). By examining the various findings regarding trust, equity, and commitment, the framework attempts to integrate what is known about relationship marketing processes.

While the focus in this paper is on three constructs, it is recognized that there are others that may impact a relationship. In essence, the Dynamic Marketing Relationship Framework is only a first step towards the development of a general explananda for relationship development. Exploratory research is currently underway to test the proposed framework, that is verify the appropriateness of the axes of the proposed framework as well as the relevancy of the key constructs underlying the framework. In addition, other pertinent issues are being explored. From this exploratory study, more rigorous empirical work may be undertaken to assess the model's robustness for relationship development.

MANUFACTURER-SUPPLIER RELATIONSHIPS

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ABSTRACT

The purpose of this study is to investigate the relationship that trust and commitment have on long-term orientation in manufacturer-supplier relationships. We propose that trust leads to commitment in manufacturer-supplier relationships and that both trust and commitment produce a long-term orientation by the seller firm. Our premise is that when manufacturer-supplier relationships are characterized by sufficient levels of trust and commitment, a long-term orientation will follow.

A review of the trust, commitment and long-term orientation literature was conducted that produced several research hypotheses. A research model was also presented showing the relationship between trust, commitment and long-term orientation.

A cross-sectional survey design was employed using a sampling frame consisting of a large high-technology manufacturer's 2800 supplier firms. A systematic sample of 216 supplier firms was drawn from the manufacturer's master database. A total of 119 usable responses were received, representing a 55 percent rate. The questionnaire used in the study consisted of measures adapted from Anderson and Weitz's (1992), Ganesan's (1994), and Morgan and Hunt's (1994) instruments. Cronbach Alphas for each test construct were computed. All of the Alphas, except the long-term orientation (.67), met or exceeded previous studies and Nunnally's (1967) recommended criterion of .70 for scale reliability.

Our study's findings suggest that relational trust and commitment are determinants of the component part supplier's long-term orientation toward the manufacturer. Furthermore, our findings confirm earlier work by Morgan and Hunt (1994), Achrol (1991), and Moorman, Zaltman, and Deshpande (1992), that trust is a major determinant of relationship commitment.

One of the study implications for managers is to recognize that increasing relational commitment to a supplier acts to increase the supplier's dependence and its willingness to make transaction-specific investments. Since this study established that qualitative supplier performance is associated with eliminating opportunistic behavior and ambiguity associated with non-performance, another managerial implication is that the greater the supplier's long-term orientation, the less need for quantitative measurements.

Finally, recommendations for future research included: (1) investigating supplier relationships with multiple manufacturers and (2) studying the effect of long-term relationship orientation in an international business context or the service sector.

COMMUNICATION AND THE SERVICE EXCHANGE: A COORIENTATIONAL APPROACH TO PREDICTING SERVICE ENCOUNTER SATISFACTION

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ABSTRACT

While service encounters are known to feature interdependence of provider and client behaviors, little research exists that measures the underlying processes of service satisfaction at the dyadic level of analysis. This research describes and tests a causal model predicting service encounter satisfaction using dyadic data collected from service provider-client exchanges completed in a variety of service industries.

Services are generally characterized as intangible, perishable, co-produced, and heterogeneous (Lovelock, 1981). These four characteristics generate information demands on both the provider and user as they seek to determine what the customer needs and how best to deliver a service to meet those needs. This information demand is even greater with complex services because complex services lend themselves to customization and allow the provider flexibility in determining the service output (Lovelock, 1983). This process has been described as a negotiation between service providers and clients. This research proposes that a number of variables influence the communication that takes place during this negotiation. These variables include: include client risk perception, service complexity, and perceived relational messages. The product of the messages shared between provider and client are treated within a coorientational framework (McLeod and Chaffee, 1973). The main purpose of communication, as viewed within this framework, is to achieve a perceived symmetry, or consensus, in the cognitive states of two people regarding some particular object. This model captures the interdependent nature of the service provider-client interaction by viewing each person's behavior as a function of his/her own cognitions and his/her perceptions of the other's cognitions. The model assumes that two people communicating are motivated to coorient on the object attributes. It is hypothesized that satisfaction will be greatest when provider and client are cooriented on what the service involves and how it should be delivered.

RESULTS

The model tested causal relationships among the following variables: service complexity, client risk perception, frequency of task communication, client and provider perceptions of relational messages, coorientation outcomes of accuracy and congruency and service encounter satisfaction. Many of the hypothesized relationships were supported with the notable exception of the relationships involving perceived risk. In particular, service complexity had no effect on client risk perception. Perceived risk made no significant contribution to predicting perceived client relational cues. The coorientational outcomes of provider accuracy of client and client congruency had a small but significant effect on explaining satisfaction. However, when tested within the specified path model, the coorientation effect was eliminated due to the overwhelming influence of perceived provider relational cues when included as predictors of service satisfaction. These results indicate that service satisfaction is best explained by client perceptions of provider relational communication cues. The study provides insight into service relationships, especially the importance of the mutually influenced relational communication behaviors of providers and clients.

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RURAL OUTSHOPPING BEHAVIOR: ANOTHER LOOK AT ORIENTATIONS AND SOCIAL INFLUENCES

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ABSTRACT

The author presents findings from a mail survey that investigates frequent consumer outshopping behavior (i.e., why certain consumers often shop in distant, out-of-town retail areas), outshopping-orientations, and the effects of family and friends on outshopping behavior. The present study extends previous work on two outshopping-orientations (recreational and economic), and uses the theory of reasoned action as a model to examine the impact of important other people on retail patronage (Evans, Christiansen, and Gill 1996; Fishbein and Ajzen 1975; Lumpkin, Hawes, and Darden 1986; Stone 1954).

Researchers have shown much interest in examining outshopping behavior. Previous studies have examined many factors that might influence selection of different out-of-town retail shopping stores, such as, price sensitivity, assortments of goods and services, in-home shopping, retail store loyalty, and product usage rates (Solomon 1996). The present study extends recent work by Evans, Christiansen, and Gill (1996) on retail patronage and the effects of important other people, and it also extends research by Lumpkin, Hawes, and Darden (1986) on shopping-orientation profiles.

Over two decades ago, Fishbein and Ajzen (1975) examined the influence of other people (i.e., their relevance, power and perceived opinions) on individuals' attitudes and behavioral intentions. Some of their findings, along with findings from related studies (see Ajzen and Fishbein 1969; Ajzen and Fishbein 1980; Bagozzi, Baumgartner, and Yi 1992; Darden and Dorsch 1990), suggested that many individuals are susceptible to the influence of important other people. Recently, Evans, Christiansen, and Gill (1996) substantiated these earlier findings in investigations of individuals' retail-store-patronage-intentions. The present study develops profiles of important others, and based on these profiles, suggests promotion campaigns which target certain individuals and emphasize particular shopping images.

Many studies have been based on Stone's (1954) categories of four types of shoppers. The economic shopper views shopping as an economic activity and will shop for the best bundle of quality and price. The personalizing shopper enjoys developing a close relationship with store personnel and tends to shop close to home. The ethical shopper feels a moral obligation to shop at local stores. And the apathetic shopper does not enjoy shopping and tries to minimize buying effort. Lumpkin, Hawes, and Darden (1986) examined Stone's assertions in a rural context and found three types of shoppers: the inactive inshopper indicates high levels of loyalty to local retailers and expresses favorable attitudes toward local shopping, the active oushopper exhibits favorable attitudes toward large-city outshopping and lower levels of loyalty toward local retailers, and the thrifty innovator tends to be more oriented toward in-home shopping and would be likely candidates for new shopping methods. Other than Lumpkin, Hawes, and Darden's (1986) study, the outshopping research has emphasized samples from larger urban areas.

Preliminary results are consistent with findings from other studies. That is, findings from the present study indicate that important other people have a stronger influence on the patronage behavior of recreational outshoppers (i.e., those who view outshopping experiences as fun, social activities) than on economic outshoppers (i.e., those who outshop for the best combination of quality and price). The findings also suggest that recreational outshoppers are willing to travel longer distances to find desired goods and services than economic outshoppers. Other findings suggest that frequent outshoppers (ten or more outshopping experiences in the previous six months) as compared to infrequent outshoppers (less than ten outshopping experiences in the previous six months) tend to be: less price conscious, have more education, higher income levels, and less children; and tend to be more dissatisfied with local retailers in terms of variety, convenience, cleanliness, attractive decor, and entertainment.

PURCHASING DECISIONS AND THE EMPLOYMENT STATUS OF THE WIFE

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ABSTRACT

This study considers the relative influence of husbands and wives in purchasing decision-making behavior for various product categories. This study attempts to develop a more accurate description of decision making in families. Comparisons are made between families based on the employment status of the wife.

One of the greatest social revolutions of the twentieth century is the influx of women into the work force. In 1890 about 5 percent of married women were in the workforce. Now over 100 years later about 65 percent of wives work. It must be noted however that wives have worked in the house and on the farm making a very valuable contribution to their families. These contributions in most cases were not compensated with wages. Society's opinion of women working outside the home has changed in the last 50 years. Some scholars have proclaimed that American marriages have changed from being predominantly patriarchal to being predominantly egalitarian. The factor of women in the work force has influenced decision making in the family.

This information can help locate the best prospects for promotional efforts. The specific purpose of this study is to determine if differences exist in the purchase decision-making behavior of families due to the working status of the wife.

Purchasing decisions of vacation, housing, automobile, men's clothing, furniture, and major appliances are set as the dependent variables. A telephone survey of families in the Durham, North Carolina metropolitan area is used to test the hypotheses. Husbands and wives are interviewed. There is a diversity of income and educational levels among the families residing in Durham.

The data was collected in Durham, North Carolina by seven trained telephone interviewers. Telephone numbers are randomly generated by a computer program so that a probability sample is used. Over 13,000 telephone calls are made resulting in 965 completed interviews. The questionnaire includes questions covering vacations, housing, automobiles, men's clothing, furniture, major appliances, and demographic characteristics.

Chi-square analysis was used to measure the demographic differences between the families. Analysis of covariance was used to test for statistical differences between the groups. This study is limited based on the stage of the decision making process and the area from which the sample is drawn.

There was a statistically significant difference in the automobile and vacation decision making between families with working wives and those with nonworking wives. The working wives have more influence over the vacation and automobile decisions than the nonworking wives. Resource and role theories are used to explain the differences in the power structure of the families. According to traditional role theory, the husband is concerned with task or instrumental functions. The wife is concerned with expressive or social-emotional functions. Traditionally husbands did "men's work" and wives did "women's work." The wife's traditional role put her in a position of powerlessness, boredom, and physical abuse. Roles are learned through interaction. Social behavior patterns are learned through the socialization process. A person relies on his self-concept and role-playing ability to interact with others. Possibly the working wives' influence on the automobile purchase is greater than that of the nonworking wives because, the working wife must have transportation for her job and daycare if needed. the working wives' greater financial contributions to the family would be expected to give them more power in the vacation and automobile purchasing decision areas. Due to the growth of two earner families more and more families are using at least two automobiles. Auto advertisements should be directed toward both husbands and wives. A large percentage of the working wives are likely to have their own car.

Travel agents should be aware that vacation decisions are decided on jointly by the husband and wife. The planning of vacations may require a longer 'lead time' to coordinate the schedules of husbands and working wives. Considerations must be made for both spouses.

RETAIL EXPANSION INTO INTERNATIONAL MARKETS: THE CASE OF UNITED STATES RETAIL CHAINS

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ABSTRACT

Retailers in mature retail markets are increasingly turning their attention to international expansion as a means of future growth. While the pace of retail store internationalization has been somewhat slower in the U.S. than in other parts of Western world, industry reports provide evidence of an increased interest of U.S. retail chains in their store chain presence outside domestic borders (Deloitte & Touche, 1998).

The purpose of this study is to investigate current retail store expansion activities into international markets, and to examine two key dimensions of international retail strategies: entry modality and market selection. Research questions are framed within the context of theories focusing on determinants and the nature of international business involvement, which have been applied to the specifics of the retailing industry. More specifically, internationalization process perspective (Cavusgil 1984; Johanson and Vahle 1990; Perlmutter 1969) and the eclectic paradigm (Dunning 1988) served as a basis for this investigation.

Data is currently being generated via a mail survey from retail chains' executives who assume the role of key informants. Two respondents, i.e., executives with strategic responsibilities for retail chains' expansion, are identified from each of the top ranking U.S. retail chains based on various criteria. Mail survey data collection procedures follow the guidelines set forth by Mangione (1995) and involves four consecutive mailings. Once the data collection phase is completed, the data will be analyzed via tobit/probit analyses, logistic regression, principal components factor analysis and descriptive statistics to examine retail chains' international retailing activities, characteristics of retail chains and their market entry strategies.

This study addresses many practical and conceptual deficiencies that currently exist in the area of retail internationalization. The outcome should prove useful for retail practice and new knowledge development of an industry, which faces major competitive challenges in the forthcoming millenium. As noted by retail analysts, these challenges are primarily related to the changes in the use of interactive technology and increasing globalization of the industry (Schultz 1997).

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MANAGING CUSTOMER ROLES IN SERVICE ORGANISATIONS: AN AUSTRALIAN PERSPECTIVE

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INTRODUCTION

The management of customer roles is a topic which attracts considerable discussion (Zeithamel & Bitner, 1996; Baron & Harris, 1995). Some professional and other complex services rely heavily on customer input in the service delivery process (eg. builders, architects, interior decorators, doctors). It could be argued that customer inputs could be optimised by effective management of customer roles.

Prior research (Dean, 1997) has shown that there is a positive correlation between customer participation and customer satisfaction. File et. al (1992) demonstrated a link between customer participation and positive word-of-mouth. Mills et. al. (1983), Bowen (1986), Mills & Morris (1986) have also shown that using customers as partial employees can improve productivity for providers as well as improving both service quality and perceived satisfaction. These important relationships point to a need for further research into how customer participation in service delivery might best be managed.

RESEARCH OBJECTIVES

The primary objective of the research was to determine whether a relationship exists between customer role management, levels of satisfaction, and profitability in the professional/complex service environment. The research explored the incidence of techniques used to communicate customer role and participation expectations, the reasons for their existence, and their perceived impact on satisfaction, repeat business/word-of-mouth, and profitability. Comparisons would be drawn between medical and non-medical providers.

INTERIM FINDINGS

Interim findings indicated that organisations were generally unaware of the concept of role management as a strategy to improve customer satisfaction. Generally, some form of role management did occur, though it was not identified or understood as such. Where role management did occur, the techniques had evolved over time with the experience of conducting many service encounters and from wishing to deliver services more efficiently. Their introduction was generally not motivated by marketing or customer satisfaction ideals. Non-medical organizations seemed more internally focused with prime motivations being to save professional time and minimise organisational frustration. In comparison, some medical practitioners had developed an ethos of caring and providing patients with as much information as possible prior to surgery to alleviate fear, and hence pain and suffering. Role management was not necessarily developed as a result of business practice ideals.

Role management techniques varied and included, for example, verbal briefings, personalised letters, forms for completion, and brochures. The techniques also varied in the sophistication of their delivery. There was little acknowledgment or realisation that these were, in effect, customer role management strategies and that they could be an important part of services marketing activity. This was evidenced, for example, by the lack of general regard paid to the contribution of any documentation to corporate image.

References are available on request.

CUSTOMER VALUE AUDIT IN INTERNATIONAL BUSINESS MARKETS : A STRATEGIC MARKETING TOOL

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INTRODUCTION

Implementing the customer driven firm is a going concern of management in many business markets of today. Knowing where value lies for the customer has become critical for a supplier, as satisfied customers lead to more customer loyalty and retention, positive word-of-mouth, a stronger competitive position and, ultimately, higher market share. Many researchers have investigated the value construct mainly in consumer markets. Research on B-to-B markets, however, has been limited. This paper presents the results of an exploratory study on the contribution of the value construct to marketing strategy development and implementation in international business markets. In this research project, we first assess the complex value construct through a literature review. We then develop a multiple-item measure of customer value and illustrate our approach by the marketing strategy development project of a major chemicals manufacturer in international markets. We finally discuss how the Customer Value Audit (CVA) can be linked to marketing strategy development and implementation.

RESEARCH OBJECTIVE AND METHODOLOGY

The objective of our research is to develop a managerial tool of measuring customer value to assist the marketing manager in optimizing the allocation of marketing resources. Our primary hypothesis considers that the customer value audit represents more than just a pricing technique or a market research method. It is a strategic marketing tool that audits the customer's needs, helps to position the company versus its competitors and measures perception gaps in the buyer's and vendor's organizations.

A pilot research project was conducted in three steps. In the first phase, an internal customer value audit was undertaken with sales management and sales people from the vendor's organization. In a second stage, interviews with 36 representatives of the purchasing department, the R&D/quality control department and the production departments of 12 key customers were conducted. Finally, actual customer results were compared with the internal CVA results and perceptual gaps between customer reality and internal perceptions of the supplier were identified. Based on the survey results, value maps were then prepared indicating the *price/quality line* representing fair value positions as perceived by customers. Strategic options can be simulated on a CVA map and compared to determine those giving the best value increase for the least cost. Action plans by product and country could then be developed to implement the desired changes and achieve the required value rating improvement.

MAIN FINDINGS

In this pilot study, we have seen that understanding how customers perceive product value can help suppliers to develop long-term relationships. Customer value must be measured as a multiple-attribute construct in function of « price » and « quality ». Quality attributes can be further broken down into three categories : product-related, service-related, and promotion-related components. Perceptual gaps do exist between the supplier's and the customer's view of value delivery. The understanding of these gaps helps the supplier to allocate strategic marketing resources where they are needed.

Value is relative to competition. Delivering a better combination of a product's intrinsic quality attributes and related services, i.e. better value, than competition will help a company to create sustainable competitive advantage. Comparing the supplier to its main competitors is what distinguishes customer value assessment from customer satisfaction measurement.

Given the small sample size and the exploratory character of our analysis, the limits of our study reside mainly in the impossibility of generalizing its results at this stage. Both a larger sample and replication in other customer segments are needed to validate the tool. Although we adopted a multiple-informant approach, the limited number of interviews do not allow a systematic comparison of responses across functional areas. More interviews need to be conducted to assess gaps in perception by functional areas within the vendor's and the customer's firms.

ESTABLISHING CROSS-NATIONAL EQUIVALENCE OF THE CUSTOMER SATISFACTION/ DISSATISFACTION CONSTRUCT

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ABSTRACT

Customer satisfaction/dissatisfaction (CS/D) is considered to be a determinant of repeat purchase behavior and brand loyalty (e.g., Oliver & Linda 1981). As such, it has been widely used in the design and management of defensive marketing strategies which seek to retain existing customers (Bloemer & Lemmick, 1992). There are many difficulties which are associated with the understanding and use of CS/D when it is considered as an input variable in the design of international marketing strategies. These difficulties arise from problems concerning whether or not CS/D is an equivalent phenomenon cross-nationally.

Ensuring CS/D equivalence requires analysis at three levels: namely antecedent factors; formation process; and, behavior outcomes. At the antecedent factors level (e.g., economic, temporal, cognitive and spatial resources) an analysis will help international marketing managers to establish in an equivalent fashion the resources cross-national consumers use to eliminate need deficiencies and regain cognitive consistency. Similarly, establishing equivalence at the formation process level (e.g., types of expectations, and confirmation and disconfirmation of expectations) will provide managers with comparative information concerning the effects of disconfirmation and expectations in the process. Finally, ensuring equivalence at the behavior level (e.g., purchase situation) will assist managers to establish in an equivalent way 'perceived' and/or 'actual' performance in making judgments about the contribution of their products' performance on satisfaction outcomes.

Cross-national equivalence is concerned with the issue of whether an object, situation and/or behavior representation denotes the same item of information, or is equal, in two or more countries (Devlin 1991). Cross-national equivalence also provides a general framework within which the methodological problems associated with ensuring data comparability can be assessed. There are many types of equivalence, though in the context of the CS/D construct, only four are of particular interest (i.e., conceptual, functional, category and contextual equivalence). Conceptual, functional and category equivalence are concerned with the meaning, purpose and taxonomy of the antecedents factors, formation processes and behaviors (Douglas & Craig 1983). Contextual equivalence is concerned with the situational factors that influence antecedents factors, formation processes and behaviors (Frijda & Jahoda 1966).

It has been argued in this study that the "axiomatic" assumption that the "higher the level of customers satisfaction the higher the brand loyalty and the customer retention rates" may not be culture-free. The extent to which this assumption holds true in international markets should be the subject of rigorous research investigations. Therefore, ensuring CS/D construct and contextual equivalence in international markets will allow marketing managers to "legitimately" use CS/D as an input variable in strategy formulation and implementation.

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AN EVALUATION OF THE MARKETING COMPETITIVENESS OF THE US AND JAPAN IN A COMPARATIVE FRAMEWORK

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ABSTRACT

Recent US business editorials extol the competitive posture of the \$7-trillion-a-year American economy, emphasizing the positive affects associated with the nation's rising productivity rankings. Is the United States truly in the midst of an enviable period of maintainable economic growth, with an effective, purposeful and guiding trade policy, or is it destined to watch as mercantilist countries practice carefully crafted methods of managed trade, hampering continued US growth?

INTRODUCTION

Coinciding with its newly-acquired status of surpassing competitors through judicious use of new and adaptive methods of information technology, the ostensibly unquenchable American appetite for imported products continues to propagate the trade deficit. Despite a recent surge in the US toward expanding its global export base, the US still maintains a sizable net trade *deficit* while Japan's net trade *surplus* lingers. As the US dollar strengthens, purchases of Japanese automobiles and computer components are induced as a result of falling consumer prices, exacerbating this imbalance. The trade gap, the difference in dollars between the excess of imports over exports for goods and services, continues to drain the US economy at a time when some economists postulate that the trade gap with Japan is overstated and merely a result of improper calculation of economic linkages between the two countries [Ohmae, 1995]. This deficit, genuine or fictitious, reached \$8.9 billion in March (*Wall Street Journal*, May 20, 1996), \$8.92 billion in April (*Wall Street Journal*, June 21, 1996), \$10.88 billion in May (*Wall Street Journal*, July 19, 1996), and \$8.11 billion in June of 1996, according to the US Department of Commerce. A sobering assumption underlying the imbalance is that several prominent economists predict little chance of its shrinkage in the near-term future (Thurow, 1996; Encarnation, 1992).

Considering these figures, one may ponder which assessment of US economic health is correct - are we assuredly in a state of economic bliss, whereby our record-high productivity and enviable competitive rankings relative to competitor nations will propel the nation forward into a period of sustainable prosperity or instead will the immensity of the trade deficit quell any chance the nation has to regain its heretofore position of international economic supremacy? To gain deeper insight into which normative view of the nation's economy is accurate requires a more thorough investigation of international trade practices juxtaposed in a comparative framework with its largest creditor nation, Japan. For example, of the world's top ten banks (ranked by assets), seven are Japanese and none are American; of the world's top 15 firms (ranked by sales), ten are Japanese and only four are American (*Wall Street Journal*, September 26, 1996; *The Economist*, August 3, 1996). When viewed from this perspective, it becomes clear that the US still has a long way to go before it can claim to have regained its prior position of world economic supremacy, effacing the effects of massive deficits, declining wages, and a decaying industrial base. Meanwhile Japan, a merchant nation that concentrates on economic development while forgoing the pursuit of profits, suffers from the weight of the yen which continues to undermine the Ministry of International Trade and Industry's (MITI) ability to steer its economy toward the next millennium.

RECENT ECONOMIC STRAINS IN THE UNITED STATES AND JAPAN

The US economy's growth of 2 percent in 1995 was the slowest increase since the recession year of 1991 (*World Economic and Social Survey 1996*, p. 18). However, the early 1990s did show slight acceleration of generally good performance by the manufacturing and services sectors, confirmed by annual changes in productivity and related measures over the ten year period ending in 1996. In spite of a protectionist US monetary policy, and maintained by strong growth in fixed investment and private consumption, output growth has continually accelerated at a projected level of 2.25 percent. The volume of exports in 1996 has been rising at above 10 percent - double the growth of previous year. However, *the increase of imports was even larger* (*World Economic and Social Survey 1996*, p. 18). As long as consumers keep

spending, imports flow in, worsening the trade deficit and dampening the positive consequences of increased exports. Nevertheless, international trade (read exports) by the US may contribute to growth in 1996 for the first time since 1991 and the US economy is likely to be on course for sustainable non-inflationary growth at an annual rate of about 2 percent through 1997 (*World Economic and Social Survey 1996*, p. 18).

Some Japanese growth in 1995 has accelerated despite a shrinkage in its trade surplus. Domestic demand, rather than exports, has helped this expansion. Record government spending throughout the year also underpinned much of the country's growth. Output in 1995 grew by less than 1 per cent as the effects of the adjustment process of earlier years were compounded by the rapid appreciation of the yen (*World Economic and Social Survey 1996*, p. 18). While exports were well sustained in value (due to the high yen valuation), their volume growth was small, expanding 2 percent in 1995. In contrast, the strong yen favored imports, in particular of labor-intensive consumer goods from overseas subsidiaries of domestic firms. As depicted in *Figure III*, this import volume only reached as high as 12 percent. The sluggish improvement in import activity was far less than what could have been in light of the tremendous appreciation of the Japanese yen and its corresponding purchasing power of US goods and services. Despite the much faster volume increase in imports than of exports, *the trade surplus continues to grow*, due, in part, by the relentless nationalistic spirit among Japanese consumers to shun imports regardless of the hardships endured and their dismal consequences. In yen terms, which has soared as a result of phenomenal dollar inflows, the surplus actually declined by 20% (*Business Week*, June 5, 1995, p. 39). It is worthwhile to recall that the Japanese, in simple terms, "produce products", while the US "produces profits". This glaring notion of how workers within these countries see each other is one reason why the US trade deficit with Japan is viewed so distinctly by each other (Sullivan).

CASE STUDY: THE IMPORT LUXURY AUTOMOBILE DEBACLE OF 1995

During the summer of 1995, Japan and the United States seemed determined to hold their positions on trade policy with respect to current import figures of US-produced automobiles and components by Japan. The oft-cited keiretsu system linking Japanese producers and manufacturers spawned a retailing environment which inhibits (read prohibits) auto dealers from selling American cars in the same showrooms as domestically-produced models. This widely-publicized trade standoff caused many free traders to stand up and take notice of the deliberate and inflexible policies practiced by Washington and Tokyo. Circumvention by the Clinton Administration of the World Trade Organization (WTO) - the same organization that it had pushed so hard to establish - to threaten Japan into submission by imposing tariffs on selected imported Japanese cars, sent a protectionist signal heard around the world.

The foreshadowed sanctions amounted to 100% of the import value of 13 luxury-class cars, estimated in 1994 to be \$5.9 billion (*Wall Street Journal*, June 9, 1995). The imposition of such an extended trade war between the two nations would have wreaked havoc on Japanese dealerships in the US as well as the Americans that work for them, as indicated in *Table I*. Fred Bergsten, director of the Institute for International Economics, said that the US-Japan trade relations during the impending trade war reminded him of the start of World War I. "Both sides got locked in positions that didn't make a lot of sense, but they felt powerless to change them." (*Wall Street Journal*, June 9, 1995).

Figure IV illustrates the rise in sales of automobile imports among Japanese consumers from Europe and the United States. Sales of these imports rose faster than Japan's overall automobile market, jumping 41% to 111,744 cars in the first four months of 1995 over the same period in 1994 (*Wall Street Journal*, May 19, 1995). Excluding the Japanese brands, import sales were up 29% compared with 7.7% for domestic cars (*Wall Street Journal*, May 19, 1995). However, the number of imports pale in comparison with foreign imports (especially Japanese) to America.

A key objective of the American government's threatened imposition of trade sanctions on Japanese luxury-car imports was to pry open the Japanese market for vehicle parts, a \$500 billion-a-year global business (*Wall Street Journal*, May 18, 1995). Demonstrated in *Figure V*, exports of US-produced auto-parts to Japan have reached \$21 billion in 1995 from nothing just over a decade ago, but \$17.7 billion of this total stem from components produced by Japanese firms operating in the US and only \$3.38 billion of the total were made by American firms, confirming the tendency of Japanese consumers to slant purchases to Japanese companies over all others (*Wall Street Journal*, July 16, 1996). Conversely, US imports of Japanese auto parts in 1994 reached \$14.3 billion, up 16% from 1993 and accounting for 12% of the \$122 billion

US auto-parts business.

Consider for a moment that the US had persevered and the Japanese had “just said ‘No’”. What could have happened as the ensuing trade battle would have dragged on? Within a few months, the US might have found itself fighting simultaneously over automobiles, commercial aviation (Federal Express - *Wall Street Journal*, July 7, 1996; July 19, 1996), construction projects (Fluor Daniel, Shal Bovis - *Wall Street Journal*, February 2, 1996), financial services (Daiwa - *Wall Street Journal*, October 23, 1995), photographic film (Kodak - *Wall Street Journal*, June 1, 1995; June 12, 1995), semiconductors (Texas Instruments, Motorola, Intel - *Wall Street Journal*, June 4, 1996; July 29, 1996), software piracy (Microsoft - *International Business*, January, 1995), and supercomputers (Cray Research - *Wall Street Journal*, May 5, 1996) and facing the consequences of further undermining the value of the dollar against the yen.

Under the worst of all circumstances, the WTO could have ruled against the US and the Clinton administration would have found itself in an indefensible position. Moreover, had the tariffs gone into full effect, the potential winner (from an auto producer perspective) might not have been the domestic but instead German auto producers, with their highly-prized Mercedes and BMW automobiles. One of the barriers to such a victory for German exporters, however, would have been the dollar, which had fallen 12% from January to June, 1995 and 20 % from its peak in 1994 (*Wall Street Journal*, May 18, 1995, p. A6). A further decline in the exchange rate of the US dollar would most likely impede a German victory, had a trade war actually begun, for a weak dollar makes US sales less attractive in terms of profit margins. Mercedes Chairman Helmut Werner has publicly declared that he needs the dollar to be trading at a minimum of 1.60 marks to make healthy profits on US sales of German-made cars (*Wall Street Journal*, May 18, 1995, p. A6). As of August 10, 1996 its value was 1.48 marks to the dollar (*The Economist*, August 10, 1996, p. 81).

Although an agreement was ultimately reached, and both sides issued watered-down explanations to their political constituents, it is questionable whether the W.T.O. could have acted as quickly as the bilateral trade negotiations did.

The problem with the American administration’s policy is that it demonstrates a fundamental misunderstanding of the nature of US-Japanese trade. No one side of the Japanese-American relationship denies the existence of barriers designed to keep American products out of Japan, or the need to remove most of those barriers. However, threatening to levy tariffs on Japanese luxury cars was not a near optimal way to solve this problem. More than 2,000 US dealerships employing 82,000 Americans sell these cars and a string of luxury car dealership failures would have caused a ripple effect on the economy, putting Americans out of work. The immediate result would have likely boosted European car imports to the US without significantly impacting the Japanese auto makers, primarily because the models targeted by the Clinton administration accounted for only 200,000 of the 16 million Japanese automobiles built in 1994 (*The Economist*, August 10, 1996, p. 81; *Wall Street Journal*, June 27, 1995, p. C16).

In a move to demonstrate its renewed commitment to boosting US-built car imports by Japan, the Export-Import Bank of Japan declared that it is lending US automobile manufacturer Ford Motor Co. \$153.2 million to promote the company’s efforts to develop and market right-hand drive cars for Japanese consumers. Ford’s Georgia plant will initially produce about 5,000 to 6,000 Taurus sedans for right-hand-drive markets such as Japan, Australia, New Zealand and the United Kingdom. About 3,000 Explorer models will be manufactured in Kentucky for export to these regions (*Wall Street Journal*, September 6, 1995, p. B12).

From an international business perspective though, the US looks as though it is at fault for playing tough with the Japanese for the simple reason that it is practicing protectionism - in light of the fact that there already exists a dispute-settlement mechanism within the WTO expressly established for arbitrating claims of trade agreements. Instead of adhering to prior policies of multilateralism, the US demonstrated a clear-cut case of unilateralism by confronting a trading partner and demanding concessions on threat of punitive sanctions. This is clearly inconsistent with the past 45 years of multilateral trade policy which has resulted in lowering barriers around the world (*Foreign Affairs*, November/December 1995, pp. 50-62).

It is clear that the current administration maintains a policy that is problematic or dissonant with the very principles on which the US has itself provided leadership in shaping the world trading system over half a century (Bhagwati, 1994).

Besides being inharmonious with the foundation of free trade, this target-specific approach will cause Japan to further clamp-down on lifting its import barriers, offering the argument that if it opens its markets to the United States, it will have to also have to open them for the rest of the world.

FOR REVAMPING US TRADE POLICY

Over the past four years, the climate surrounding US - Japan relations has undergone a substantial and rapid deterioration. Nonetheless, never before have the economic interest of Japan and the US been more intertwined or a need for a global partnership between the two countries been more obvious. The downturn of the US - Japan relationship is not irreversible, however (Morita, 1992). It is vital that the powerful role of the US economy as an engine for world growth and its vast market for global producers continue to flourish. Unless something is done to curtail the rate at which the country is multiplying its falling behind in terms of real net wealth, however, it will be unable to fulfill its position as the natural leader of world economic and political dominance, a role it has become quite adroit at performing. In order to preserve this characterization of global preeminence, and to ensure rising growth of exports and the profits they bring continue to improve the standards of living for its populous, a diligent rethink of the nation's international trade practices ought to be at the forefront of the national agenda. This prescribed revision is necessary as a response to (1) exports as a determinant of overall US economic performance, (2) the significance of mounting Asian capital reserves, and (3) the slowness of Japan to open its markets.

EXPORTS AS A DETERMINANT OF OVERALL US ECONOMIC PERFORMANCE

A first motivation for rethinking US trade policies and practices stems from the net influence that exports have on the nation's economic performance and ultimately, the standards of living in the US. Although the commitment among nations to free trade is stronger, twenty years of slower growth and rising unemployment has encouraged a new mercantilist outlook, every country seeking to reduce unemployment by improving its export base and, indirectly, its international competitiveness. With the onset of a spiraling downward trend in manufacturing employment as caused by corporate rationalization and competition from low-cost manufactured imports from developing countries, corporate America faces an increasingly competitive global marketplace as the new millennium approaches.

Concomitantly, mounting global economic interdependence has accelerated over the past ten years as all developed and developing countries alike are seek lower production costs to support domestic economic advances (Krugman, 1995). As a result, rising unemployment in most industrialized countries has ensued and become problematic due to the clamoring of domestic producers and workers in these affected countries for special protection. This resumed aura of protectionism has not gone unnoticed: even the staunchest free traders have reevaluated their stated positions on free trade in an era of heightened mercantilism. Accordingly, higher export levels have become a favored mode of providing disenfranchised workers with good-paying jobs. New evidence from Coopers and Lybrand reveals that 47 percent of companies that export expect to grow at a composite rate of 31.2 percent in 1996 compared with 24.9 percent for those not exporting (*International Business*, September 1996, p. 6). But many US executives (especially in the high-tech area) bemoan the impediments associated with international trade, as detailed in *Figure VI*. Nearly 99 percent of those executives surveyed cite trade impediments as a constraint to boosting exports; most barriers, such as quality restrictions favoring local products, are officially endorsed (*Business Week*, August 19, 1996).

The helpful profits associated with exports are an important combatant in offsetting the deleterious consequences resulting from disproportionate trade balances (*Business Week*, September 2, 1996, p. 27). Recent gains in exports from the US to a swelling global customer base ultimately yield taxable income that can be tapped to reduce the staggering budget balance and lowering the nation's current account balance, displayed in *Figure VIII*. But the gradual rise of the dollar against the currencies of most of its trading partners is sure to slow the flow of US exports and widen the flow of cheaper imports, diminishing governmental efforts to balance its domestic budget and smooth the budget balance as measured against GDP. The concern over the difficulty in managing sizable imbalances in trade and payments flows which dominated discussions of policy coordination in the 1980s has therefore been replaced by tensions over the severity of currency adjustments and changes in relative international competitiveness which have been necessary to eliminate them in the 1990s.

THE SLOWNESS OF JAPAN TO OPEN ITS MARKETS

Although current U.S. productivity levels are seen as the paladin of protracted U.S. industrial growth, and the catalyst of this incessant growth is manifest in the form of increased expenditures on modern plants, high-tech equipment and computer technology, free and unfettered trade with other trading nations is an altogether different determinant of the nation's economic well-being. Whereas the case for free trade has been repeated by US trade representatives with a modicum of attainment, the failure of some of our major trading partners to ascribe to this essential objective has been, at most, disappointingly laggard. The case for free trade - and the importance of gaining access to Japanese markets - can easily be made to include at least four components: the straightforward case of comparative advantage; the recognition that protection of some industries invariably disadvantages others; the fact that free trade stimulates competitive pressures in any economy and the accompanying proposition that all countries will lose when all are sufficiently protectionist; and that free trade is a consistent policy for domestic and global welfare (Krueger, 1990).

Whereas the arrival of the WTO has replaced - with complete concurrence from the US - the nation's ability to singularly direct foreign trade policy with other parties, the federal government nevertheless continues to leverage its worldwide dominance by using Washington as a pulpit for propounding free trade and unhindered access to foreign markets, specifically to Japan. And yet although only one-fifth of US imports come from this nation, and little more than one-tenth of US exports are sent there, Japanese firms account for only about 20 percent of the FDI in the US out of a total share of 36 percent hosted by the US and in comparison, Japan's total inward direct investment was calculated by the OECD to be less than 1.5 percent (*USTR Report*, Commerce Department, April 1, 1996). Japan's lack of receptivity to FDI is a major trade barrier and is one of many reasons why the nation is unabashedly cited as the most notorious offender of free trade with the West (Krugman, 1995), and has amassed a trade deficit of enormous proportions with respect to other trading partners, as seen in *Figure XI*. When pressed for reasons why this asymmetric predicament exists, Japanese officials are quick to enumerate the obvious cultural differences between the US and Japan and stress how the tightly-knit linkages between government and the private sector in Japan - which do not exist in the US - is a principle reason behind the disparity.

Reducing and eliminating restrictive rules in Japan can improve market-driven competition, leading to greater access by foreign firms, lower costs for Japanese consumers, and increased efficiency throughout the Japanese economy. Eradication of regulatory barriers, more vigorous competition by foreign firms, and greater transparency of administrative procedures are needed to address the nation's structural problems that lead to impedance of sales of foreign goods and services and discourage FDI. But Japanese business leaders are not eager to change their protectionist patters. For example, the Japanese government recently declared its intention to breakup Nippon Telephone and Telegraph (NTT) in order not to fall behind American and European telecommunication services. With \$70 billion in annual revenue, 194,000 employees and sagging earnings, NTT is in need of serious restructuring; further NTT is widely suspected in Japan of abusing its monopoly at the expense of its customers and its operating inefficiency means that customers must pay \$700 to have phone service installed at their homes (*Wall Street Journal*, October 9, 1995). But achieving a government-sponsored dissection of the company will not prove an easy task, since this recent breakup endeavor is the fourth attempt by the government in the last six years, failing as a result of fierce NTT lobbying and political opposition (*Wall Street Journal*, October 9, 1995). It is likely that this strong resistance to change will not ease in the near- to mid-term.

With respect to international trade, the obvious differences among the trading nations of the world in law and corporate governance means that no two markets can ever be comparably open. Even if the US has a trade surplus with a country, for example, exporters of particular products are likely to assert that the other country's regulations and market structure prevent free competition and conclude that the US market is more open. The premise underlying Japan's mercantilist trade policies is that foreign trade only has value insofar as it leads to exports, but this shortsightedness appears to get the meaning backwards; imports improve living standards and forces US firms to become more productive, while exports represent the American labor, capital and natural resources devoted to products that Americans will not be able to enjoy (Levinson, 199).

From a protectionist perspective, the Japanese have an advantage in fighting U.S. pressures to open its markets in the form of the WTO and could effectively use this bureaucracy to slow the pace at which it opens its markets to outsiders. Additionally, as Japan's economy recovers, Japanese trade officials are getting more and more adamant toward supporting the nationalistic spirit that ultimately leads to protectionism, despite US demands for increased access to their markets. This

defiant position was exemplified in March of 1996 when Yoshihiro Sakamoto of the Ministry of International Trade and Industry proclaimed that "... the era of bilateralism is over" (*Business Week*, June 24, 1996, p. 55).

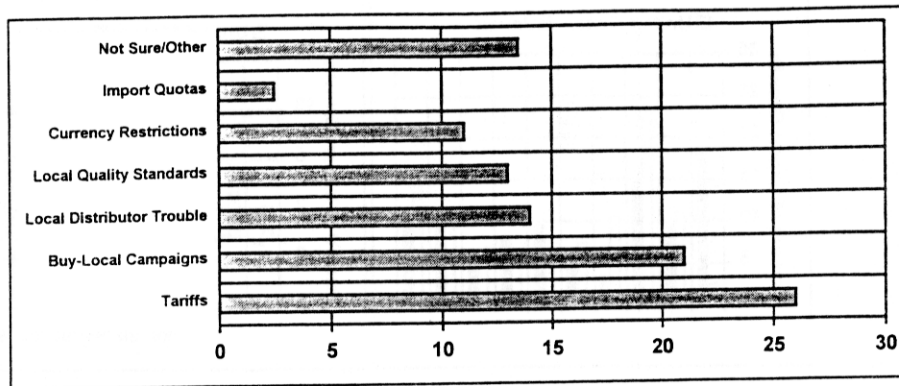
According to the Office of the US Trade Representative, Japan is up to 100 times less receptive to FDI than most industrialized nations, due largely to the pervasive effects of non-tariff trade barriers such as the infamous keiretsu system of production and distribution. Japanese companies are notorious practitioners of various methods of insulating themselves from intervention from foreign firms and their management. These barriers are specifically concocted to limit outward-bound technology flows and keep decisions about product development in the hands of Japanese nationals. Unlike US firms, which have a strong preference for wholly owned subsidiaries, the Japanese management methodology has shown that a company can be tightly controlled by placing Japanese nationals at key management and technical positions and limiting the authority of any one individual. This managerial bias translates into tight control of Japanese companies by the Japanese themselves and lost opportunities of advancement for foreigners that work for them. In addition, it means that Japanese consumers will miss out on lost competition from foreign firms, which directly impacts the standard of living in Japan. For those few firms able to work through the idiosyncrasies of operating within Japan, the mistrust of foreigners leads to a loss of operating control, limited technology transfers, and resistance to building the customer bases necessary for deeper market penetration and deriving the benefits of economies of scale (Taylor, Mark Z., 1995).

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Trade Barriers for North American High-Tech Companies

(survey of 420 executives)

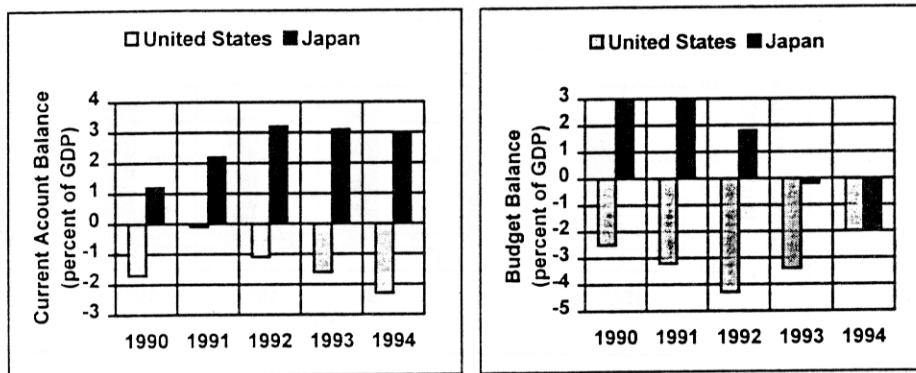


Source: *The Big Picture: Global Trade Woes*, *Business Week*, August 19, 1996.

Figure VI

Current Account Balance and Budget Balances in the US and Japan

(Percentage of GDP)

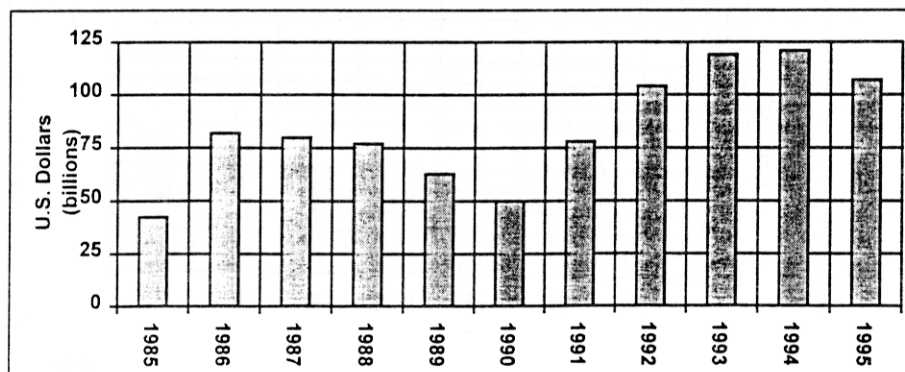


Source: *Trade and Development Report*, *OECD Economic Outlook*, December, 1994, p. 64.

Figure VIII

Japan's Trade Surplus

(Figures include trade with all countries on customs-clearance basis)

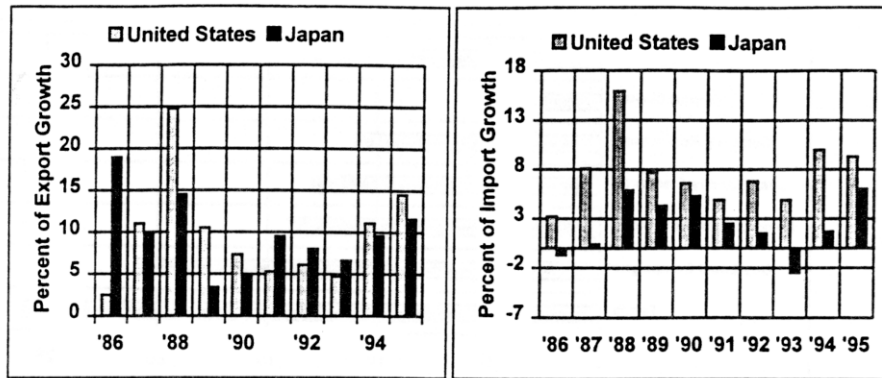


Source: Datastream statistics, as reprinted in *The Economist* article, "Japan: The Shrinking Surplus", February 3, 1996, p. 31.

Figure XI

Export and Import Growth in the United States and Japan

(Percentage change in volume over previous year)

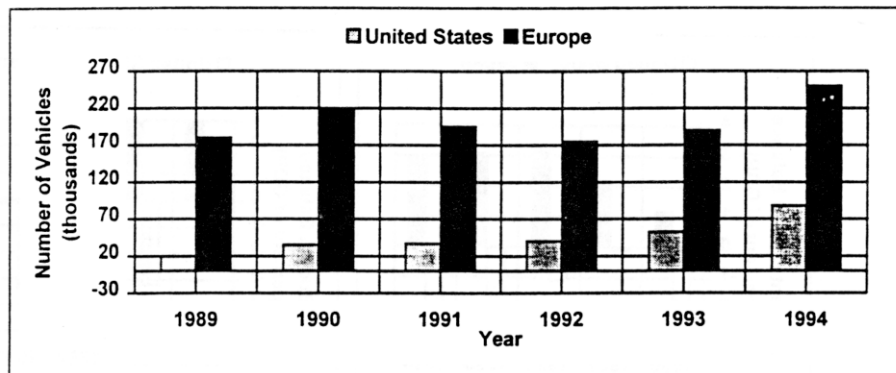


Source: *World Trade: Changes in Value and Volume of Exports and Imports*,
World Economic and Social Survey 1996, United Nations Press, p. 323.

Figure III

Automobile Exports from Europe and the US to Japan

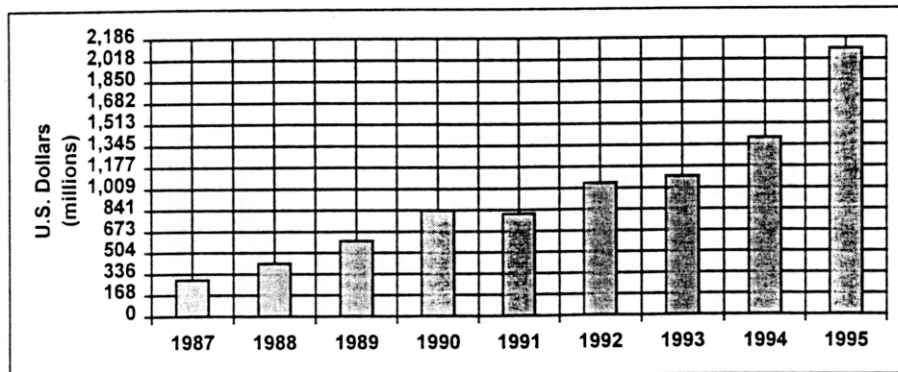
(Non-Japanese models only)



Source: *Manufacturers as reprinted in The Wall Street Journal article*,
"Sales of Auto Imports Are Rising in Japan", May 19, 1995.

Figure IV

Value of US Exports of Auto-Parts to Japan



Source: *Census Bureau as reprinted in The Wall Street Journal article*,
"Battle Begins for Luxury Import Market", May 18, 1995.

Figure V

Japanese Automobile Dealers in the United States

<i>Company</i>	<i>Dealerships</i>	<i>Dealership Employees</i>	<i>1994 Sales of Targeted Models</i>
Acura	281	11,000	35,709
Infiniti	153	3,340	34,197
Lexus	171	7,500	87,419
Mazda	906	50,000	33,629
Mitsubishi	504	15,000	14,918
TOTAL	2,015	86,840	205,872

Source: Manufacturers as reprinted in The Wall Street Journal article,
"Battle Begins for Luxury Import Market", May 18, 1995.

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