

**THE 2001 MARKETING MANAGEMENT ASSOCIATION  
PROCEEDINGS**

**Dear MMA Member:**

**It gives me great pleasure to present the Proceedings of the 2001 MMA Spring Conference to you on behalf of the Officers, Board and Council members, and all participants. Julie Toner Schrader has devoted a significant amount of effort in organizing the conference and MMA owes a great deal of gratitude to her.**

**Robert Green has done an outstanding job in stepping up to the plate to serve as the Proceedings Editor. I thank Bob for his efforts and Dale Varble for his role as the Publications Council Chair.**

**The competitive papers were put through multiple reviews before being accepted for presentation at the conference and publication in the proceedings.**

**Congratulations to the following persons for their award winning papers: Ty Abernathy and Brian Engelland for receiving the Richard D. Irwin Award, David Good and Douglas Robideaux for the Marketing Education Award, and Penelope Ferguson De Jung for receiving the Firooz Hekmat Award. Congratulations also to O.C. Ferrell for being the first recipient of the Innovative Contributions to Marketing Award.**

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**MARKETING MANAGEMENT ASSOCIATION  
SPRING 2001 CONFERENCE BEST PAPERS**

**BEST PAPERS**

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**The Effects of Frequency, Recency, and Academic Prowess As Moderators of Service  
Quality Evaluations For Collegiate Academic Advising: An Exploratory Study**

**Ty Abernathy, Mississippi State University**

**Brian T. Engelland, Mississippi State University**

**MARKETING EDUCATION AWARD**

**Marketing Assessment: Developing A Tool To Measure Marketing Knowledge Acquisition**

**David J. Good, Grand Valley State University**

**Douglas R. Robideaux, Central Missouri State University**

**FIROOZ HEKMAT BUYER BEHAVIOR AWARD**

**Ethical Propensity: How It Affects Ethical Intentions and Ethical Judgments**

**Penelope Ferguson De Jung, Black Hills State University**

**OUTSTANDING CONTRIBUTIONS**

**CAREER AWARD FOR INNOVATIVE CONTRIBUTIONS TO MARKETING**

**O.C. Ferrell, Colorado State University**

**FELLOWS**

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# CROSS-FUNCTIONAL BUSINESS EDUCATION: A CASE OF REENGINEERING

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## ABSTRACT

*Pressures from firms who need employees with integrative thinking skills have caused many schools to consider offering cross-functional programs as a required part of the business curriculum. This paper posits that cross-functional education is actually a form of reengineering. Using the reengineering model as a framework when designing the cross-functional program can facilitate the process and make program success more likely.*

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## INTRODUCTION

Well-documented corporate demands for cross-functionally competent employees have instigated a wide variety of efforts by the educational community to integrate business curricula. Many colleges and universities find it a struggle to functionally integrate business programs that have been historically delivered by well-defined, and often well-siloed, disciplines. This paper suggests that using the model of reengineering may help these institutions successfully implement cross-functional programs.

Today's highly competitive markets and demand for accelerated business decisions have prompted many organizations to become more cross-functional as a means of surviving and excelling. For example, Boeing, Coca-Cola, DuPont, Ford, Hewlett Packard, Federal Mogul, Siemens, and Xerox all make extensive use of cross-functional teams. The nature of cross-functional teams can vary from being broadly diverse to finely focussed. Some, for example, can be composed of members from varied departments and even external suppliers. Others may just have members from marketing and finance collaborating with salespeople and customers. Regardless of the membership diversity, cross-functional teams can bring substantial benefits when the process is done correctly.

In spite of the potential advantages of cross-functional teams, some companies may not realize the optimal benefits of cross-functional efforts. This is often the function of two primary factors. First, most organizations have historically been "functionally siloed" and have few individuals with any experience with cross-functional teams (Gerwin

1999). Second, individuals on cross-functional teams still tend to affiliate more with their own parts of the organization (e.g., R&D, marketing, engineering, finance, sales, operations, etc.) than with the team and its goals (Hennessey 1999). However, unsuccessful cross-functional teams are usually doomed not by self-interests, but by a lack of cross-functional experience, decision making, and problem solving on the part of the individual team members. As a result, companies have a strong need for employees equipped with the necessary knowledge and skills to thrive in a cross-functional environment.

## CROSS-FUNCTIONAL PROGRAMS IN HIGHER EDUCATION

In response to businesses' needs for cross-functionally trained employees, a number of schools have begun integrating cross-functional courses and exercises into their curriculums. Most efforts have been done at the MBA level (e.g., The University of Tennessee, Indiana University's Kelley School of Business, University of Dayton, University of Oklahoma, Boston University, Babson College, University of Denver, University of Pennsylvania). Some universities (including Bentley College, Lehigh University, and the Massachusetts Institute of Technology's Sloan School of Management) are even looking outside the business discipline for cross-functionality and devising programs to make technologists more knowledgeable in business and business types more knowledgeable about technology.

There are fewer cross-functional educational opportunities at the undergraduate level. In a recent polling of AACSB accredited undergraduate business programs, fewer than five percent had a

comprehensive program that formally addressed the need for cross-functional integration of business principles. However, business' continuing call for cross-functionally trained employees may spur increased interest in and work on the development of undergraduate cross-functional programs.

### **CROSS-FUNCTIONAL EDUCATION AND REENGINEERING**

The schools that have instituted cross-functional programs at either the graduate or undergraduate level report mixed success (Michaelsen 1999; Mullins and Fukami 1996; Silver and McGowan 1996; Watkins 1996). Frequently noted obstacles include issues of leadership, fundamental strategic issues, administrative issues, and faculty issues, such as team teaching. Currently, there is no model for developing successful cross-functional programs. However, the similarities between cross-functional business education and reengineering suggest that cross-functional programs are actually a form of reengineering and, therefore, using a reengineering model when designing those programs may improve their chances of success.

Reengineering, as defined by Hammer and Champy (1993, p. 32) is, "The fundamental rethinking and radical design of business processes to achieve dramatic improvement in critical, contemporary measure of performance such as cost, quality, service, and speed." Corporate reengineering efforts, however, have met with mixed success. Aurand and DeMoranville (2000) review numerous reports of reengineering attempts and suggest that one reason for the failure of many reengineering efforts to meet expectations for dramatic improvement may be because of a lack of adherence to the original reengineering model. Their study identified the five foundational factors of reengineering either directly or implicitly developed by Hammer and Champy (1993). As Figure 1 shows, all five concepts (the marketing concept, top management involvement, asking of fundamental questions, radical change, and nine recurring themes of reengineering) were significant causal factors of dramatic improvements of business indicators. If cross-functional programs in the academic world are similar to reengineering in the corporate world, then applying the reengineering model may be appropriate. The five concepts of Hammer and Champy's reengineering model are each described below and compared to the characteristics of cross-functional education programs. A summary of these similarities is shown in Table 1.

### **The Marketing Concept**

The marketing concept is the foundation of the theory of marketing and provides the philosophy for both the methodology and organizational structure of marketing (Kaldor 1971). Prior research by Aurand, Schoenbachler, and Schroeder (1999) has decisively established the foundation of reengineering from a marketing concept perspective. It is best defined by Bell and Emory (1971) who summarized the work of several marketing authors by addressing it in three parts:

**Integrated Effort** - Ultimately the entire firm must be in tune with the market by emphasizing the integration of the marketing function will all other functional departments.

**Customer Orientation** - A thorough understanding of the customers' needs, wants, and behavior should be the focal point of all marketing action. It implies the development of products and services to meet those needs.

**Profit Direction** - The marketing concept is intended to make money for the company by focusing attention on profit rather than sales volume.

The integrated effort element of the marketing concept could possibly best illustrate the need to functionally integrate a collegiate business curriculum. Just as an entire firm must be aware of market needs and be coordinated in their efforts to satisfy these needs, a business student must be aware of the cross-functional relationships among different business disciplines. Students must understand that business decisions cannot be made in a silo, and that virtually every business decision impacts other functional areas.

Also like reengineering, cross-functional education efforts are driven by the consumer, in particular the business community. In order to address the needs of their "customers", universities are dramatically changing their curricula to better prepare students for a functionally integrated working environment. Students, too, readily acknowledge the benefits of integrating functional areas into one course (Michaelsen 1999; Mullins and Fukami 1996). They recognize that businesses operate cross-functionally and appreciate the opportunity to see the integration in their coursework (Hoyt, Olson, and Straza 2000).

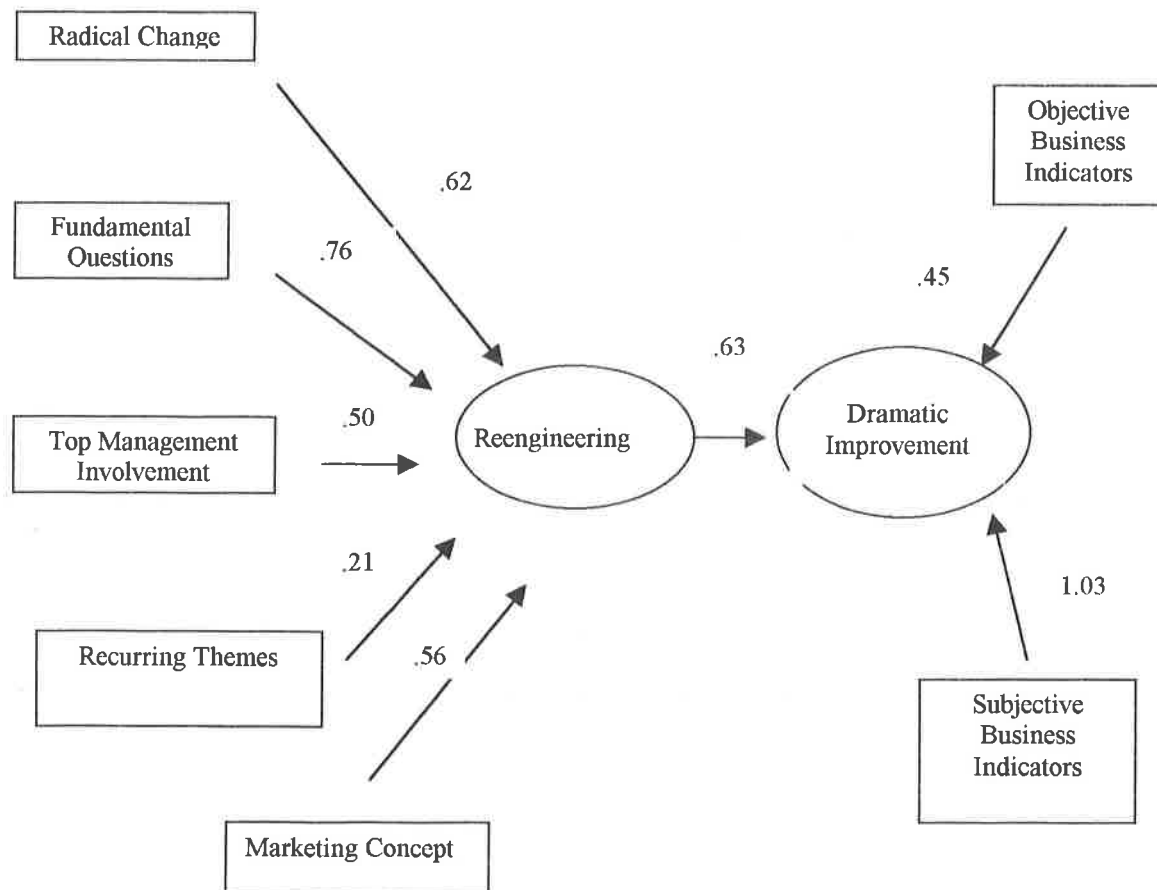
If profit is thought of solely in terms of financial indicators, cross-functional educational programs obviously differ from corporate

reengineering. However, while firms in the private sector may be focused on long-term profitability, or as Hammer and Champy (1993, p. 32) put it "...

**TABLE 1**  
**Comparison of Reengineering Model to Cross-Functional Education**

Reengineering Concept	Cross-Functional Consideration
<i>Marketing Concept</i>	
Integrated Effort	Functionally integrating a curriculum requires an integrated effort among both faculty and administrative personnel
Customer Orientation	Institutions are involved in cross-functional education due to the demands of the business community.
Profit Direction	Profit, measured not as Hammer and Champy (1993) do, but, but as a college/university does, with market driven, high quality, innovative, educational programs.
<i>Top Management Involvement</i>	Without top administrative commitment and involvement, cross-functional curricula efforts are unlikely to succeed.
<i>Fundamental Question</i>	
Why do we do what we do? And Why do we do it the way we do it?	Colleges/Universities must ask why they teach courses in a relatively strict, disciplinary manner. Then, educators must ask, is there a need for a new educational paradigm?
<i>Radical Change</i>	A cross-functional curriculum is certainly dramatically different from most existing educational efforts.
<i>Recurring Themes</i>	
Several Jobs are Combined into One	The very nature of a cross-functional course is the combination of material, and in essence, the combination of teaching assignments.
Workers Make Decisions	Role of the coordinator is to foster thinking of team, but there continues to be individual efforts of faculty while teaching.
Checks and Controls are Reduced	Instead of having evaluation instruments for each functional area, a single instrument can be developed covering all disciplines at one time.
Hybrid Centralized/Decentralized Operations are Prevalent	A cross-functional class is both centralized, with the administrators and the coordinator making many decisions individually. But each contributing faculty member must also be willing to contribute significantly when called upon to address his/her functional material, and functionally integrated material.
Processes have Multiple Versions	Cross-functional programs are being developed and implemented in a variety of schools, with a variety of disciplines, and in a variety of formats.
Work is Performed Where it Makes The Most Sense	In a cross-functional program, material is covered where it makes the most sense to do so, and in conjunction with other material from other disciplines.
A Case Manager Provides a Single Point of Contact	Role of the coordinator is key in a cross-functional program. The coordinator must foster free thought, yet must move program along in a positive direction.
The Steps in the Process are Performed in a Natural Order	Cross-functional programs should attempt force students to think as they would in a business setting. Rarely is a single discipline addressed without consideration of the impact upon other disciplines. Functional boundaries are eliminated, and work is performed "naturally".

**FIGURE 1**  
**Reengineering Model**



contemporary measures of performance such as cost, quality, service, and speed", the academic community may be more concerned with *producing profitable employees* capable of positively impacting the bottom line of the firm that hires them. Furthermore, Aurand and DeMoranville (2000) show that business indicators for reengineering consist of both objective (financial) and subjective (e.g., market share, customer satisfaction) factors.

#### **Top Management Involvement**

The second element of the basic reengineering model involves not only basic support for the concept by top management, but detailed involvement as well. A strong commitment from top management can easily mean the difference between success and failure of a reengineered project (Freiser 1992; Hall, Rosenthal, and Wade 1993). Hammer

and Stanton (1995) state that it is the unalterable axiom of reengineering that it only succeeds when driven from the topmost levels of an organization.

Because a cross-functional curriculum transcends conventional departmental "silos", strong leadership by top administrators is a must if cooperation is to be achieved on an interdepartmental level. Clear strategic goals for the program must be established, and efforts to gain commitments from all stakeholders including the business community, faculty, and students, should be considered as part of the responsibilities of top academic administrators. Without a strong commitment from the upper echelon of the academic organization, cross-functional team members will be severely hindered in their attempts to provide an integrated curriculum.



## Fundamental Questions

Involvement in reengineering must focus on two fundamental questions: 1) Why do we do what we do? and 2) Why do we do it the way we do it? (Hammer and Champy 1993). These two questions force management to look at the tacit rules and assumptions that underlie the way they conduct their business. It is assumed that only by discarding traditional assumptions about business processes can one reinvent the way business is conducted and identify dramatic improvements.

Academic administrators must also ask fundamental questions prior to embarking upon a cross-functional integration journey. Why do business departments teach in "functional silos" when corporate customers desire integrated thinking? Why do business schools confer degrees in functional areas, etc. if the business community often desires graduates who think from a truly multi-functional standpoint? Why are individual professors responsible for the planning and delivering of course material when business professionals are demanding teamwork skills of their employees? Is the academic community lagging behind the business world with regards to the modification organizational design that better meets the needs of the customer? And, why might a particular institution be reluctant to radically change a curriculum in light of ever changing market demands?

## Radical Change

A key element within the very definition of reengineering is *radical change*. The concept is not about tinkering with what already exists or making incremental changes that leave basic structures in tact. Reengineering requires revolutionary change, not evolutionary change (Hammer and Champy 1993).

For most institutions of higher education, a cross-functional program curriculum represents a radical change from the conventional approaches to business education. Administrators, faculty, and students alike will quickly recognize the significant changes surrounding the development and implementation of a functionally integrated course. Fundamental changes surrounding faculty workloads, teaching materials, faculty evaluations, the writing and grading of exams, program assessment, budgeting, etc. will become quickly apparent to those attempting a functionally integrated curriculum for the first time. Faculty will be placed in an environment where teamwork skills will be

prioritized, but academic freedom limited, may find a cross-functional assignment to be a significant change from how they were taught in the past.

## Recurring Themes

Hammer and Champy (1993) identify nine commonalities that are frequently encountered in reengineered business processes. They recognize striking similarities among various reengineered processes that transcend industry type. Each of these nine "recurring themes" can also be found in a cross-functional curricula with a great deal of regularity.

### *Several jobs are combined into one*

Combining several jobs into one is a common goal of a well-designed, functionally integrated course. Students should readily see that his/her teacher is comfortable with the presentation of material from several functional areas, and that the business practitioner must be equally comfortable in addressing issues that go beyond functional boundaries.

### *Workers make decisions*

A key skill of the coordinator of a team-taught class is to be able to "say no" to his/her peers on the team while at the same time create an environment that allows people to do what they do best (Watkins 1996). But not only must the coordinator be a decision maker, so must all of those involved in the teaching and administration of the class. Team members must regularly decide which areas to integrate on a team-taught and/or individualized basis. Fellow team member opinions, program goals and objectives, and a host of other curricula concerns must be considered when making such decisions in order to insure program continuity.

### *Checks and controls are reduced*

Reengineered processes reduce checks and controls; a well-organized cross-functional program may offer similar advantages. Take, for example, a course in which marketing, management, finance, and operations principles are combined into one integrated course. Instead of four unique sets of course exams and evaluation instruments, only one is required that addresses material from each discipline. By combining courses a business school can take advantage of efficiencies inherent in only cross-functional courses, including the reduction of checks and controls.

*Hybrid centralized/decentralized operations are prevalent*

A cross-functional class offers a truly unique combination of centralized and decentralized operations. The course itself, which will include material from several disciplines, must be developed in a centralized fashion. Cooperation among team members, plus top administration and team leader support, provide the foundation for numerous centralized decisions. On the other hand, individual faculty members are still responsible for the delivery of their own, discipline specific material. These team members are ultimately responsible for their own work, and often times material outside of their own disciplines as well.

*Processes have multiple versions*

Schools with different missions and different goals will, in most cases, develop different types of functionally integrated programs to meet those goals. Even individual academic institutions may find the need to offer variety in the integrated courses that they offer. In other words, cross-functional education, like education in general, does not embrace a "one size fits all" philosophy, but instead must be tailored to meet the needs of specific stakeholders.

*Work is performed where it makes the most sense*

The purpose of a functionally-integrated class is to present material in a manner that more closely replicates the business world. Therefore, in a cross-functional class where even a basic degree of functional integration is sought, faculty typically be asked to address material outside of their own discipline simply because "it fits" with the other material being presented. Cross-functional faculty must, therefore, be comfortable enough with other functional material to integrate with their own and to do so in a relatively seamless manner.

*A case manager provides a single point of contact*

Within a team-taught course, the importance of a professional leader, or coordinator cannot be over emphasized. The coordinator must foster free thought, yet move the program along in the direction set out for it by the team and other administrators within the college or university. The coordinator must frequently serve as a single contact point for students, administrators, and other stakeholders. In so doing, the coordinator must possess not only strong leadership skills, but also management skills, and teamwork skills.

*The steps in the process are performed in a natural order*

A cross-functional curriculum is an attempt to force a student to think, as they will be required to in a business setting. Business processes, by nature, transcend functional boundaries with little regard for silos constructed to maintain order within predetermined departmental domains. An integrated, cross-functional curriculum will demonstrate the inherent advantages of addressing functional concerns as they appear, with less regard to the functional boundaries erected in both the academic environment and business community.

## CONCLUSION

The similarities between cross-functional programs and reengineering concepts are so striking that cross-functional programs may be considered cases of reengineering in academia. The Hammer & Champy model of reengineering may, therefore, help provide guidance for designing and implementing cross-functional programs. For example, the strongest causal path between the five factors and the concept of reengineering was for Fundamental Questions (Figure 1). When contemplating a cross-functional program, then, planners must give serious consideration to why they do what they do the way they do it. Historic methods/processes of education/classes/scheduling may not be appropriate for cross-functional programs. The second strongest causal path was between Radical Change and Reengineering. Schools considering cross-functional programs have to view the program as totally different from current methods of delivering business courses. Cross-functional courses should be designed from the bottom up with little or no regard for how things have been done in the past. The significant path between Top Management Involvement and Reengineering underscores the importance of having both administrative and departmental support and leadership early in the cross-functional process.

In summary, cross-functional programs are being considered by more and more schools as the demand for employees capable of integrated business thinking increases. Planning and implementing cross-functional programs are exceedingly challenging and subject to failure at many junctures. Using the reengineering model as a framework when designing the cross-functional program can facilitate the process and make program success more likely.

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# THE CHARACTERISTICS OF SIX FIGURE SALES PEOPLE: AN INITIAL QUALITATIVE APPROACH

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## ABSTRACT

*A total of 34 sales professionals took part in the qualitative study. Each of the respondents offered their sense of the top three characteristics of six figure sales people. The responses were categorized into eight different characteristics; being driven/risk taking, organized, relationship oriented, possessing customer follow through, listening skills, being trustworthy/honest, goal oriented, and having high product knowledge.*

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## INTRODUCTION

This study is an introductory assessment of the characteristics of six figure sales people primarily in the words of sales professionals themselves. Of course what is meant by the six figure sales person are those who enjoy a personal income level beyond their business expenses, prior to taxes of \$100,000 or more per year. Most sales people are paid at least in part on an incentive basis. The more sold, the higher the income. The pertinent question to ask is: Are there certain characteristics that generate differences in performance between the six figure sales person and those who are not?

### **An Issue Of Success**

The interest behind this study is to perform some initial uncovering of likely causes of sales success. Is income the only indicator of success? By no means is income the sole measure. Money however is a key measure of success for sales people. Most sales people are paid at least partially in direct proportion to the amount of revenue and/or profit that they generate. To sales people, money transcends the things that money can buy. Money represents achievement. There is no suggestion in this paper that a person who enjoys an income in excess of six figure a year is better than another or is any happier. Money is a tool that can be used for good or not, that is up to the individual.

### **Drive and Risk Taking Behavior**

Sales people that experience unique levels of success are highly motivated and focused on what they want to achieve (Cole 1998). Successful sales people are committed to doing whatever it takes (assuming the use of ethical behavior) to accomplish professional and personal success. According to Cole, success oriented

sales people are always unhappy when they experience failure and they challenge themselves how to overcome any mistakes made. Cole claims that successful sales people take responsibility for their own actions. They do not make excuses for themselves or their organizations. Driven sales people have goals for their life that are personally significant. As a result, they are motivated to keep growing and improving.

### **Customer Focus**

Learning the specific buying cycle of the customer is considered by Graham (2000) to be a crucial success skill. Graham takes the position that the customers are in charge of the sale. They certainly are in the sense that they write the check. The only realistic way to understand the buying cycle is to develop enough of a professional relationship where trust exists and the buyer is willing to explain decision-making process. Graham also states that successful sales people follow up furiously. Part of the current buying cycle is that decisions are taking longer to make. Graham believes that sales people stop working with prospects too early and as a result turns the sale over to some body else.

We are moving into an era where successful sales people will need to develop the mind set of a "mini-CEO", according to Rosenbaum (2000). Instead of relying on tactical selling skills, sales professionals need to be focused on their customer's strategic objectives. In essence, excellent sales people try to think as their buyers think. They think in terms of solutions for the buyer, not just themselves.

### **Developing Relationships**

A focus on the relationship with the customer is crucial to responding to their needs and to sales success. The value of the relationship is critically important for profit reasons, if for no other. Borna (2000) claims that

is almost 10 times more expensive to find a new customer than it is to keep an existing one. The buyer - seller relationship is an investment on the part of both parties, but it is an investment that will pay off for both. Efficiencies can be gained for both buyer and seller and customer satisfaction can be maximized because the seller has gained overtime more complete knowledge of what the buyer wants.

### **Listening**

Dan Morrison (Olson 1999) claims that most people "rush through their lives" without taking the time to listen. The best sales people however, are excellent listeners and have spent much time refining their listening skills. They understand that needs of the client cannot be met if they are not understood. Listening is required to understand the what the client is specifically saying.

### **Trust**

Trust is inexorably linked to the nature of the relationship sellers enjoy with buyers. Trust begins from the first impression and continues through the entire relationship with buyers. Trust builds credibility and according to Korschun (1999) credibility is crucial because it helps sell the sales person to the buyer in an intangible way. Trust provides the opportunity for rapport to take place and rapport is needed to help provide the communication need to solve the problems of the buyer.

### **Goals**

According to Phillips (2000) the successful sales people have a total focus on the customer from beginning of the sales process to after sale service. They also have a focus on the type of customer that choose to target. In fact, targeting is one of the keys to success. They do not try to sell to everybody. To the contrary, successful sales people hone in on the customer profile that they can best serve. Phillips states that successful sales people are goal and action oriented. The good producers "emotionalize their goals." They can clearly see the new home, or paid tuition, or simply more free time. It is not the dollars per say, but the translation of the money into meaningful purpose.

### **Product Knowledge**

High levels of product knowledge are needed in order for sales people to emphasize the strengths of the products they represent and to play down the weaknesses that can be fulfilled more effectively by the competition (McCarthy 1999). Low product knowledge equates into a lack of ability to product offerings to specific customer

solutions in the mind of the buyer. High product knowledge provides the raw material for communicating value to the client.

### **Demonstrating Value**

Brooks (2000) believes that the most important selling skill is the ability to clearly demonstrate value prior to discussing price with a prospect. If value has not been presented before price has been disclosed, then price will almost always be seen as too high. The transaction is rarely made if the value of your product does not meet or exceed the price.

## **METHODOLOGY**

The method taken in this study is qualitative. There were a total of 34 participants in the study. The participants were either sales professionals or sales managers. Each of the participants is affiliated with a sales institute from a private university. The sales professionals were asked to respond to the question: Regardless of your own personal income or amount of sales experience, what are the three primary characteristics that you find in six figure sales people? A total of 100 usable responses were collected. The purpose of the question and this study is to identify possible trends of six figure sales people rather than come to definitive conclusions at this stage of analysis. The responses of the participants are grouped into categories based on particular behaviors of beliefs.

### **The Eight Characteristics**

The responses of the participants were able to be broken down into eight different characteristics (with all but a few exceptions). The characteristics can be defined as such: 1 - driven/risk taking, 2 - organized, 3 - relationship oriented, 4 - customer follow through, 5 - listening skills, 6 - trustworthy/honest, 7 - goal oriented, 8 - product knowledge. While not all of the responses fit neatly in one of the eight categories, the overwhelming majority of responses reflect these eight stated characteristics.

### **Driven/Risk Taking**

There were by far in a way more responses (34) describing six figure sales people as being driven or willing to take risks than any other category. The comments suggest that the relentless pursuit of moving the sales process forward and having the confidence to overcome rejection along the way is crucial to success. The comments of the participants include: "energetic...confidence...thinking always of new ways to

approach or get new sales...aggressive and does not take "no" for an answer...market, market, market (all kinds) if you have the best product or more knowledge or better mouse trap, you still need to find someone to sell to!...risk takers...willingness to try different approaches...someone who is assertive, but not aggressive...driven...self motivated...hard worker...positive...persistence...dedication...eager...put forth the effort and leg work...activity...attitude - selling because it is what I love to do, lucky to have the opportunity, contributing to the organization, serving others well...dedication to the job of selling, getting over rejection quickly, to move onto the next prospect...energized - be enthusiastic and positive!.....I get paid to close. I have learned that in order to get the business I have to ask for it."

### **Organized**

Being well organized was the second most common characteristic with a total of 16 responses. This suggests that being organized is key factor to sales success. Related comments from the participants include: "multi-tasked...consistent...an organized person who plans his days and makes contact with old and new customers...work a fixed schedule...prepare your day the night before...effective time management constant...work smart, consistent...can handle stress and a fast paced schedule...discipline...systems to insure the ball does not get dropped, structured plan for every client, ability to juggle many balls."

### **Relationship Oriented**

The importance of being customer focused and developing a strong relationship was viewed as very important with a total of 15 responses in this area. The comments include the following: "They are satisfied when their client is satisfied, they are in tune with changing expectations, and have [the] ability to manage changing expectations, client care and empathy guides missile to target, interested...sense of humor...personally friendly, approachable...creative...great personality, good with people...know how to work with people...relationship skills...people like to be around charismatic and generally happy people... personable-the ability to make their customer feel like a personal friend rather than "money in my pocket"...commitment to people - honest, empathetic, serving approach to relationships with people, truly caring about others... very outgoing, displays good personality but does not come on too aggressive to scare a person down."

### **Customer Follow Through**

Eight of the participants viewed customer follows through as one of the three criteria leading to success. Actual comments include: "Follow up, follow through on what you committed to do!!...meet your customer needs [and] at the same time meet your company needs and profit targets...thorough, the ability to walk a fine line between great follow up skills and being annoying...they deliver what is expected on time, with quality, resulting in high client satisfaction, follow through, walk the talk..availability..support..application."

### **Listening Skills**

There were a total of seven responses to listening skills. The comments related to listening skills include: "ability to listen to clients needs...listen more than they talk, they seek to understand, confirm understanding, and then be understood...someone who is an excellent listener and cares about the people and situations he deals with...good listener, people really like to talk about themselves and they want someone who can really hear them."

### **Trustworthy/Honesty**

Five of the sales people considered trustworthiness as being a crucial component to sales success. Their comments were that sales people need to be: "Honest, reliable, dependable, trustworthy, truth, word of gold, sincere, and ethical."

### **Goal Oriented**

Five responses are goal oriented in nature. They include "vision...have written goals...someone with a lot of energy and drive to accomplish his goals...goal oriented (they know what they want [they] develop a plan [and] work the plan...goal setter."

### **Product Knowledge**

While product knowledge was not the most common response (with five responses), there was a recognition that product knowledge was sought out and valued by customers. "Intelligent/knowledgeable, about their business, customer's business, the customer's customer's business, the competition and global issues in general..... demonstrated product/service/industry knowledge-making customers feel like they can use you for a resource for industry-specific questions (actual

answers or where to get them)...has in depth knowledge in his/her field...expert at product or service...quality product."

## DISCUSSION OF THE FINDINGS

The 34 sales professionals that participated in the study provided some very interesting insight into the factors that lead to success as determined by financial performance. What was impressive was the commonality of the responses. Logical groupings of responses were evident. The three leading characteristics in the study were 1) Sales leaders have a strong drive and willingness to take risks in regard to their drive. 2) Successful sales people are well organized. 3) Sales people that groom genuine relationships with buyers are financially rewarded for their effort. Perhaps the remaining five characteristics of good customer follow through, developed listening skills, being trustworthy and honest, having a goal orientation, and possessing high product knowledge are characteristics that support the first three.

### Driven

The responses for the high drive - high risk taking characteristic was very interesting in the sense that the comments were very behavior oriented. Comments such as: does not take no for an answer...market, market, market...willingness to take risks...leg work... and I get paid to close, are all action oriented. There appears to be a realization that taking strong and decisive action is necessary for sales success. In turn, the high drive characteristic also is a reflection of attitude with such comments as: enthusiastic and positive...self motivated...dedication...eager...and getting over rejection quickly. Being goal oriented was categorized as a distinct success element. However, a relationship between high drive and high goal orientation seems evident. This is just one example of how the eight characteristics may be inter-related.

### Organized

Well-organized sales people were viewed as being more likely to be successful. Those being well

organized are said to have excellent time management skills. They put themselves on a disciplined, consistent schedule. As a result, they are more productive. Organized sales people can handle a faster pace and can perform multiple tasks at the same time. One of the other eight characteristics of sales success is product knowledge. Organization and product knowledge could be associated, although this particular study cannot confirm this. High product knowledge can come from a systematic and well-organized understanding of a product line.

### Relationship Oriented

The relationship oriented success factor was the third most commonly stated characteristic. However, three of the other characteristics directly impact the nature of the relationship, excellent customer follow through, trustworthiness, and good listening skills. The successful sales people were thought to have a "great personality and empathetic, being interested in the client and to care about their needs." These points are quite valid and are dependent on follow through, developing trust, and showing demonstrating concern by listening. The reason why the nature of the relationship is so powerful is because it is required in order to obtain repeat business. Without repeat business, there is no long-term profit.

### Implications For Further Research

The findings in this study help provide a foundation for further quantitative research. In further research, it would be interesting to discover what specific differences of characteristics that exist between those above and below a six figure income. What causes one person to be willing to implement the six figure characteristics, while others are unwilling? For example, if sales people inherently understand that being a driven is essential for sales success, then why do some possess drive and why do some not? A larger scale quantitative survey based on this study will be the next step in investigating these issues.

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# ANOTHER LOOK AT THE APPLICATION OF THE SOCO SCALE IN A "PROFESSIONAL SELLING" COURSE

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## ABSTRACT

*The Sales Orientation/Customer Orientation (SOCO) Scale was used in a small state university Personal Selling class of thirteen students. Results of independent t tests are presented, and then results of paired t tests for the four successfully matched students are discussed. Limitations and suggestions for further study are then described.*

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## INTRODUCTION

An earlier study by Martin, Kimball and Bush (1998) on the application of the SOCO (Sales Orientation/Customer Orientation) scale in a professional selling class prompted this follow-up study of the scale's use in a personal selling class. Saxe and Weitz reported the scale's development in 1982. The 24-item scale was designed to measure the degree to which a salesperson takes on "sales-oriented" selling behavior or "customer-oriented" selling behavior. In addition to the scale's usage as cited in Martin, Kimball and Bush (1998), SOCO has been used: in whole and in modified form in three studies of service delivery quality (Kelley and Hoffman 1997), in salesperson-client communications in the pharmaceutical industry (Gillis, et al. 1998), in the ethical selling behavior of insurance agents (Howe, Hoffman and Hardigree 1994), in retail salespeople in Romania (Chelariu, Brashear and Boles 1998), and in the selling behavior of Indian pharmaceutical salespeople (Chakrabarty, Brown and Widing 1998).

## INSTRUMENT, SAMPLE AND ADMINISTRATION

Martin, Kimball and Bush modified the instructions for the scale to include the phrase "or, if you have no sales experience, the proportion of customers with whom you believe it would be appropriate to act" (1998, p. 11), to reflect the likelihood that some students might not have had any sales experience prior to the class. This modification was also used in the present study by the author.

The context of the study was the Personal Selling course, a required course for the marketing

emphasis of the Business Administration major at a state university in the midwestern U.S. The class was small, with thirteen students enrolled, of which eleven were male (84.6%). Most of the students were seniors, and several have had sales experience in their work histories.

The students were first asked to complete the survey on the first day of class in August 1999. They were told that the survey was designed to measure their attitudes toward selling. Implementing a suggestion by Martin, Kimball and Bush to match pre and post measures with individual students through the use of a random identification method (1998, p. 12), the author had students draw slips of paper on which the first thirteen letters of the alphabet had been written. The author did not know who had drawn "A" or "B" or so forth through "I". The post-course administration of the survey took place on the last class day (in December) after all course work had been completed. Students were told that the survey was the same as the one they had completed back in August.

## RESULTS AND DISCUSSION

Thirteen students took both the pre-course survey and the post-course survey. Following the lead of Martin, Kimball and Bush, the reliability of the SOCO instrument was assessed for both administrations by examining the internal consistency of scale items (1998, p. 12). Pre-course and post-course coefficient alphas of .8374 (.8276 standardized) and .8212 (.856), respectively, indicate an acceptable degree of internal consistency, based on Nunnally (1978).

Total scores on the twenty-four items for the pre-course ranged from 137 to 202. The mean score was 165, with a standard deviation of 19.53. The median score was 157 and there were two modal scores, 154 and 157. Total scores for the post-course survey ranged from 146 to 199, with a mean equal to 173.154 and a standard deviation of 19.07. The median score was 179 and the modal score was 191. Discussion: It is good to see that the mean total score improved eight points, though this improvement was not statistically significant in a one-tailed t test. While one student's score was higher on the pre-course survey than the highest post-course score, the post-course distribution is smaller, as indicated by the slightly smaller standard deviation. A higher

improvement is indicated by the median scores (157 to 179).

Means were calculated for the pre-course and post-course surveys, and are shown in Table 1. One-tailed independent t tests were conducted on the twenty-four items to determine any significant differences in pre versus post means. The underlying hypothesis was that mean scores should improve, i.e., increase; therefore, one-tailed tests were used instead of two-tailed tests. Only four significant differences ( $p < .10$ ) were found, as noted in Table 1. Students' scores improved significantly for "giving customers an accurate expectation" of product performance,

**TABLE 1**  
**Pre and Post Scores On the SOCO Scale Items**

Scale Item	Pre	Post	Significance
1. I try to give customers an accurate expectation of what the product will do for them.	7.38	8.54	.0002
2. I try to get customers to discuss their needs with me.	7.84	8.42**	.0908
3. If I am not sure a product is right for a customer, I will still apply pressure to get him to buy.*	5.15	6.62	.0365
4. I imply to a customer that something is beyond my control when it is not.*	6.38	6.69	-----
5. I try to influence a customer by information rather than by pressure.	7.38	7.85	-----
6. I try to sell as much as I can, rather than to satisfy a customer.*	5.46	7.00	.0456
7. I spend more time trying to persuade a customer to buy than I do trying to discover his needs.*	7.00	6.62	-----
8. I try to help customers achieve their goals.	7.92	8.38	-----
9. I answer a customer's questions about products as correctly as I can.	8.54	8.31	-----
10. I pretend to agree with customers to please them.*	5.00	5.17**	-----
11. I treat a customer as a rival.*	8.00	8.23	-----
12. I try to figure out what a customer's needs are.	8.08	8.38	-----
13. A good salesperson has to have the customer's best interest in mind.	7.62	7.85	-----
14. I try to bring a customer with a problem together with a product that helps him solve that problem.	7.62	8.15	-----
15. I am willing to disagree with a customer in order to help him make a better decision.	6.23	6.46	-----
16. I offer the product of mine that is best suited to the customer's problem.	8.15	7.85	-----
17. It is necessary to stretch the truth in describing a product to a customer.*	6.00	6.54	-----
18. I begin the sales talk for a product before exploring a customer's needs with him.*	6.31	5.69	-----
19. I try to sell a customer all I can convince him to buy, even if I think it is more than a wise customer would buy.*	5.69	6.54	-----
20. I paint too rosy a picture of my products, to make them sound as good as possible.*	5.54	6.15	-----
21. I try to achieve my goals by satisfying customers.	7.69	7.77	-----
22. I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run.*	6.46	6.31	-----
23. I try to find out what kind of product would be most helpful to a customer.	7.62	8.08	-----
24. I keep alert for weaknesses in a customer's personality so I can use them to put pressure on him to buy.*	5.92	6.62	-----

\* Reverse scored; \*\*n = 12.

getting "customers to discuss their needs", "still apply pressure to get him to buy" (reverse scored), and "sell as much as I can" (reverse scored). Discussion: It is good to see students pick up on ethical and customer-oriented selling principles after completing the course. It is disappointing that only four of the 24 items proved to have significantly different pre and post scores. On a positive note, mean post-course scores were higher than mean pre-course scores for 15 of the 20 non-significant items, indicating some recognition of the importance of customer-oriented selling behavior.

The author's attempt to match students anonymously in the pre and post-course surveys did not work out very well. Only four students remembered their randomly selected letters of the alphabet, so a matched comparison of only four students' scores was possible. Paired t tests were conducted on the pre and post scores for the four students on each of the 24 scale items. The results are shown in Table 2. Only three significant differences ( $p < .10$ ) were found. The average scores for the four students improved over the life of the course for giving "customers an accurate expectation of what the product will do for them" and for trying "to figure out what a customer's needs are."

**TABLE 2**  
**Matched Pre and Post Scores On the SOCO Scale Items**

Scale Item	Pre	Post	Significance
1. I try to give customers an accurate expectation of what the product will do for them.	7.75	8.50	.0288
2. I try to get customers to discuss their needs with me.	7.75	8.25	-----
3. If I am not sure a product is right for a customer, I will still apply pressure to get him to buy.*	5.00	5.25	-----
4. I imply to a customer that something is beyond my control when it is not.*	5.00	6.25	-----
5. I try to influence a customer by information rather than by pressure.	8.00	8.00	-----
6. I try to sell as much as I can, rather than to satisfy a customer.*	4.50	6.75	-----
7. I spend more time trying to persuade a customer to buy than I do trying to discover his needs.*	6.25	6.00	-----
8. I try to help customers achieve their goals.	8.25	8.00	-----
9. I answer a customer's questions about products as correctly as I can.	8.50	7.75	-----
10. I pretend to agree with customers to please them.*	6.33#	5.00#	-----
11. I treat a customer as a rival.*	7.50	7.50	-----
12. I try to figure out what a customer's needs are.	7.50	8.25	.0288
13. A good salesperson has to have the customer's best interest in mind.	7.75	6.00	.0509
14. I try to bring a customer with a problem together with a product that helps him solve that problem.	7.50	7.75	-----
15. I am willing to disagree with a customer in order to help him make a better decision.	6.75	7.50	-----
16. I offer the product of mine that is best suited to the customer's problem.	7.75	7.25	-----
17. It is necessary to stretch the truth in describing a product to a customer.*	5.50	5.75	-----
18. I begin the sales talk for a product before exploring a customer's needs with him.*	6.25	6.75	-----
19. I try to sell a customer all I can convince him to buy, even if I think it is more than a wise customer would buy.*	5.25	5.25	-----
20. I paint too rosy a picture of my products, to make them sound as good as possible.*	4.75	4.25	-----
21. I try to achieve my goals by satisfying customers.	8.25	8.00	-----
22. I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run.*	6.50	5.75	-----
23. I try to find out what kind of product would be most helpful to a customer.	7.75	7.25	-----
24. I keep alert for weaknesses in a customer's personality so I can use them to put pressure on him to buy.*	6.75	5.50	-----

\*Reverse scored; # n = 3.

However, the average score decreased by almost two whole points over the semester for a "good salesperson has to have the customer's best interest in mind." Discussion: Post-course scores for 11 of the 24 items were lower than their corresponding pre-course scores. Even the total score dropped slightly, from 162.50 for the pre-course administration to 161.75 for the post-course administration. The explanation was found by looking at the individual student scores. Three of the four students had total score increases of one, five and twenty-four points; whereas, one student's total score dropped 33 points! Either the one student was disillusioned with personal selling by the time the course ended, or his/her true inclinations were revealed at the end. A third possible explanation is that this student was not taking the survey seriously, either at the beginning or at the end of the course.

#### LIMITATIONS AND FURTHER STUDY

One limitation of this study is that the application of the SOCO Scale was not tied to outcomes-based education (OBE), as it was in the Martin, Kimball and Bush (1998) study. The author first wanted to see how the scale would work in the class. In doing so, he did not allow a sufficient amount of time to revise his course objectives to allow for a better fit with an OBE motive. Obviously, the next step is to revise the course's objectives with a focus on OBE, and then reapply the

SOCO scale. This would then allow the OBE-related analysis similar to what Martin, Kimball and Bush did.

A second limitation of this study is the low successful match rate. The students were asked to hold on to their slips of paper or write down the letters in their notebooks. Four months later, most of them could not properly identify their randomly selected letter on the post-course survey. Perhaps a better way to do this random assignment is to have one of the students record on a sheet of paper each student's name and the selected letter. This would be done while the instructor stepped out of the classroom. The recorder would then fold and place the sheet of paper in an envelope provided by the instructor beforehand, and seal the envelope. The instructor would then save the envelope until the end of the semester, at which time one of the students would open the envelope and inform all classmates of their selected letters. In this manner, anonymity would be preserved while insuring that pre-course and post-course surveys could be paired up.

In conclusion, further use of the SOCO scale should be investigated in all personal selling and sales management classes of various sizes. Scale use should be tied to outcomes-based education if at all possible, and the random selection of a means of identification should also be used, to permit paired comparisons of results on a student-by-student basis.

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# IMPROVING STUDENTS' ABILITY TO RECOGNIZE AND EXPLOIT BUSINESS OPPORTUNITIES

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## ABSTRACT

*To satisfy a discovered need of MBA students to improve their ability to recognize business opportunities, the author developed three assignments: a search for business opportunities with a short business plan and new midterm and final exams. In end-of-term evaluations, students rated "Ability to recognize business opportunities" among the top three learning experiences attributed to the Marketing course.*

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### INTRODUCTION - THE SURVEY OF ENTERING MBA STUDENTS

A survey of entering MBA students conducted during September/October of 1999 at The Pace University Business School asked students to evaluate sixteen carefully selected abilities with respect to two issues:

- A. For maximizing your success in business, how valuable are the following abilities?
- B. At the present time, how much improvement do you need in your . . . ?

Combining their answers to the two questions disclosed that the top four learning needs perceived by the students (n=310) were:

1. Ability to recognize business opportunities.
2. Ability to solve business problems.
3. Skill in marketing yourself.
4. Skill in giving oral presentations.

This survey is described in detail in another paper presented at this meeting.

The top four needs were judged to be consistent with the mission of the School, which is to "prepare students for successful business careers in a global economy," and therefore, I made changes in the instructional program in my core Managerial Marketing course.

### CHANGES IN THE CORE MARKETING COURSE

All MBA students are required to take the Core Marketing Course, entitled "Managerial Marketing," unless they have taken and passed a

similar course during the previous three years. Most instructors present this course as a lecture course, supplemented with videos and in some instances, case studies.

For the past ten years, I have been moving away from this teaching model to the point where I am no longer lecturing, or even conducting case discussions. Instead, the basic philosophy of my presentation of the course is to have students learn by doing rather than by listening and watching. Several of the assignments that I give require students to interact with people outside the classroom in influencing, negotiating and networking experiences. In class, students report on their outside work and submit written reports. They also work in small groups, analyzing and presenting case studies and textbook end-of-chapter questions.

The first change that I made in response to the newly discovered needs of entering students was to introduce the "New Product or Service Assignment," based on Hisrich and Peters (1998) and Vesper (1994). The second and third changes were to change the Mid-term and Final exams, based on Kotler and Armstrong (1998). The material that follows consists of the instructions given to students. Permission is granted to readers of this paper to use these materials with their own students.

### New Product or Service Assignment

The business world rewards people who discover profitable business opportunities. Some receive promotions from their employers. Others earn their rewards as entrepreneurs.

The purpose of this assignment is to give you experience in developing ideas for new

businesses. Once you start looking for business opportunities, you are more likely to find them and thereby increase your success in business. Listed below are seven search methods innovators have used.

1. Applying technology. The innovator found a new application for a technology.
2. Exploiting opportunity. The innovator discovered a need for a new product or service.
3. Surveying sellers. One innovator asked sales representatives what products and services customers were trying to buy and had trouble finding.
4. Surveying buyers. Another innovator asked purchasing agents what products or services they found difficult to buy.
5. Networking. An innovator asked all his business acquaintances to tell him of all the new business ideas they knew of.
6. Current job. An employee suggested a new business, the employer rejected it and the employee started his own business.
7. Hobby. Some entrepreneurs have turned hobbies into businesses.

After you have completed your search, prepare a two-page report. Cover these topics:

- I. List and evaluate the search methods you used and list all the ideas you considered.
- II. Identify your best idea for a new business and prepare a mini business plan:
  - A. The product or service. What is the product or service? In what ways is it more attractive to buyers than existing products or services?
  - B. The market. Who will buy the product or service? How much do they buy of your type of product or service? How much do you expect to sell them?
  - C. The environment: Competition, trends in relevant external factors, such as the economy, regulation and technology.
  - D. Marketing strategy: personal selling, advertising, sales promotion, direct marketing, including Internet, pricing, service and warrantee policies, public relations campaign for the new venture.

- E. Capital requirements. How much money do you need for starting the business?
- F. Other. What else do you need to do to get ready to start the business?

### The New Mid-term and Final Exams

The assignment for the new Mid-term and Final exams, which are take-home exams, is to study the textbook and to think creatively about applying the concepts presented in the book to the business situations, which they identified in the assignment outlined above. The actual exam assignment follows:

Review the "New Product or Service Assignment" you prepared previously. Use the new product or service that you identified in that report as the basis of you Mid-term and Final exams. (If you are no longer enthusiastic about the product or service you identified earlier, you may choose another new product or service.)

Write 16 essays showing how you would perform each of the following marketing tasks in your new business, the first eight for the Mid-Term and the second eight for the Final.

For each essay, review the appropriate chapter(s) in the Marketing textbook and use as many as possible of the **Key Terms** listed at the ends of the chapters. In your paper, print the key terms you use in **boldface** to make it easier for me to evaluate your work. Make absolutely sure that you understand the **Key Terms** and that you are using them correctly.

### Mid-Term

1. Developing marketing strategies.
2. Responding to the company's environment.
3. Using marketing research.
4. Applying customer behavior concepts.
5. Segmenting markets. Selecting target markets. Positioning your product or service.
6. Developing new products and services.
7. Managing the product over its life cycle.
8. Pricing your products or services.

## Final

1. Using advertising.
2. Using sales promotion.
3. Using public relations (differentiate between PR and advertising).
4. Using personal selling.
5. Using direct and online marketing.
6. Creating a competitive advantage.
7. Building customer relationships.
8. Engaging in global marketing.

## Grading

I grade the three papers on the basis of adherence to the instructions, amount and quality of work being shown, quality of English language presentation and appearance of the paper. Grade weights are 10% of the semester grade for each of the three papers.

At class meetings when these papers are due, all students discuss their papers in class in small group sessions. Time is also provided for several presentations to the entire class. These discussions and presentations are peer-evaluated at the end of the term as part of the "Class Contribution" grade component, which is 15%.

## STUDENT EVALUATIONS

As noted at the beginning of this paper, a survey of incoming MBA students showed that "Ability to recognize business opportunities" to be the highest rated need of these students.

At the end of the Fall 1999 and Spring 2000 semesters, students in my section of the core Marketing course were asked to answer this question: "How much did this course help you to improve

your . . . ?" with respect to the sixteen abilities that had been investigated in the survey of incoming students. They were asked to circle numbers from zero to six, with zero labeled as "Not at all" and six labeled as "Very much."

The top three abilities were, as ranked by students in the core Marketing course were:

- Skill in marketing yourself.
- Skill in giving oral presentations.
- Ability to recognize business opportunities.

Of course, there are no "before" data for comparisons since the entire concept of asking students to define their learning needs and to rate their own progress is brand new. However, it is fair to say that before the 1999-2000 academic year, students would not have rated this particular ability highly, because no specific assignments had been dedicated to it.

## SUMMARY AND CONCLUSION

This paper refers to a survey of entering MBA students that discovered their perceptions of their learning needs. The paper goes on to describe a set of three assignments aimed at satisfying the highest rated need: "Ability to recognize business opportunities." In end-of-term evaluations, students rated this ability third highest in a field of sixteen, in answer to the question, "How much did this course help you to improve your . . . ?"

A start has been made in helping students to learn how to recognize and to take advantage of business opportunities. Readers of this paper are encouraged to adopt and refine the methods described here to help students to achieve success in their business careers.

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# ASSESSING CUSTOMER SATISFACTION IN PERFORMING ARTS: THE MEDIATING ROLE OF EMOTIONS

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## ABSTRACT

*A marketing definition alone may not be enough to completely understand customer satisfaction. Since customers can be emotionally attached to a product or service, emotions can play a role in a customer's satisfaction. This research evaluates the impact emotions have on customer satisfaction specifically in the Performing Arts.*

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## INTRODUCTION

The concept of customer satisfaction is central to the marketing concept and marketing strategy formulation. Traditionally, customer satisfaction has been studied using the consumer packaged goods industry as the context (Boulding et al. 1993; Yi 1990). Customer satisfaction has been viewed as a multidimensional construct taking varied forms in prepurchase and postpurchase contexts (Voss, Parasuraman, and Grewal 1998). Past research has failed to view the consumer as a composite of all human traits. Marketing research fails to understand customer satisfaction due to its lack of respect for the psychological, sociological, and political aspects of human nature in addition to the economic.

## CUSTOMER SATISFACTION

Consumer product satisfaction is an ongoing, dynamic process. It involves multiple stages: pre-purchase, purchase, and post-purchase not just the actual time of the purchase. The satisfaction process has strong social dimensions because a person's peers or family can be included in the process. Both meaning and emotion are components of satisfaction. The process of satisfaction depends on both the circumstances at the time of each purchase and the situation. Finally, product satisfaction and life satisfaction are intertwined. Satisfaction with a product could increase one's satisfaction with life.

## EMOTIONS

Decision-making is influenced by a person's emotions. If a person's decision requires low-

involvement, emotions might play a bigger role than thoughts at times. However, if it is a high-involvement decision process then both emotions and thoughts are taken into consideration. For instance, people wanting to buy a home would consider the information provided to them in addition to their feelings regarding the house since this transaction requires much thought. However, buying a candy bar is low-involvement, meaning a person would buy the candy bar that makes him/her feel good rather than a candy bar that has fewer calories.

Emotions play a vital role in the way people view life. Based on the preceding discussion one can conclude that emotions may play a major role in evaluations of products. We examine the moderating role of emotions in customer perceptions of satisfaction with a purchase.

## EMPIRICAL RESEARCH

Primary data was collected using a research questionnaire as the data collection instrument at a center for performing arts in the Midwest. We operationalized constructs using product attribute framework of SERVQUAL, an instrument that was developed by A. Parasuraman, Valarie A. Zeithaml, and Leonard L. Berry in 1988. We had our respondents rate each attribute using a 1 through 5 scale (1 being low and 5 being high). Emotional involvement was determined by checking if any friend or family member of the respondent was participating in the performance. The sample was spread over a period of seven days involving five diverse theater performances ranging from musicals, to bands, to drama. Approximately 70% of the respondents were male and 30% were female. The correlation coefficients between individual product

attributes and overall satisfaction with the evening were found to be significant at the 0.05 level. A total of 252 (48.74%) respondents indicated that none of their family or friends was participating in the evening's performance. This was the low emotional involvement group. A total of 265 (51.26%) indicated that either a friend or a family member was participating in the performance, and therefore they were emotionally involved in the event. Results indicate that the overall perceived value from the product does vary by low and high emotional involvement ( $F = 9.21$ ;  $p: 0.003$ ).

### CONCLUSIONS

As indicated by our literature review and the extant models of customer satisfaction, product

attributes play a pivotal role in overall satisfaction. Every single product attribute was found to be significantly correlated with overall satisfaction. We found that low versus high emotional involvement with the product did significantly impact the perceived value of the product. This leads to interesting implications for marketing strategy formulation. Eliciting emotional response from customers can alter the perception of the product and the value derived from it. Future research can focus on the impact of customer emotions on underlying dimensions of product attributes that lead to global evaluations of products. For instance, it would be interesting to see how emotional involvement influences price perception. This could further have implications for pricing strategies that differentiate between high and low emotional level customers.

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# ARE SATISFIED CUSTOMERS STICKY CUSTOMERS?

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## ABSTRACT

*This paper proposes to examine the influence of customer service and customer satisfaction of online shopping, and to examine if there is a relationship with developing customer loyalty or "stickiness." It is proposed to integrate use of Lee's Internet Customer Satisfaction Model.*

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## INTRODUCTION

While the numbers for the 1999 online holiday shopping season vary greatly, from \$5.3 billion which was 0.6% of the total \$821.2 billion from the Commerce Department, (Wells 2000) to \$33.1 billion, which was \$1.4 of retail revenues, (1999b; 2000a; 2000b), online retail sales are an important component of the retail environment. Online sales are particularly critical during the last quarter of the holiday shopping season. Shop.org and the Boston Consulting Group (BGC) reported consumer revenues across all categories grew 120% (1999b; 2000a; 2000b). According to The State of Online Retailing, 3.0 (1999b), in December of 1999, there was a 270% growth in the number of orders placed from this year over last and a 300% increase in revenues for retailers over last year. The size of the average order was also up 8% over last year during the same time period. The State of Online Retailing 2.0, (1999b), indicated online sales were growing at 145% annually and projected online retailer revenues of more than \$36 billion for 1999.

## DISMAL RESULTS FOR HOLIDAY 1999

As online sales figures continue to rise, the concern about how well online retailers are performing continues also. There were many news items published in the media during the past holiday season indicating unhappy customers and glitches in the online environment. Overall, customer satisfaction declined as the season progressed, and products were not available, particularly true for online toy stores (Rosencrance 2000). While first-time online shoppers might have lower expectations for e-shopping, than more-experienced online consumers, the majority of "everyday Americans expect things to work without complications" (Reed 1999, p. 91). This source also predicted that 89% of online visits would result in consumers completing transactions somewhere else.

Cheng (2000) reported shoppers were disillusioned when they discovered online merchants couldn't live up to their promises. Consumers found merchandise was out of stock, customer service was non-existent, and sites experienced service outages. In this same report, Anderson Consulting indicated 25% of e-shoppers could not complete their transactions due to computer crashes, server gridlock or out-of-stock situations. BCG reported (2000a) approximate 65% of online shopping carts were abandoned before the final purchase transaction took place, representing significant lost sales and highlighting the need to improve the shopping and checkout processes. Forrester Research (Hickey 1999) reported much the same dismal picture for virtual shoppers: busy servers and cumbersome order forms; along with sites that didn't reveal shipping costs until the transaction was practically complete. Forrester also reported there was no similarity in return policies. Some require consumers to call or email for special numbers before sending returns, while others only allowed credit for a return or exchange, rather than full refund.

## NOT ALL BAD NEWS

All was not gloom and doom for online shoppers during the holiday 1999 season. Several reports indicate many consumers were positive about their online shopping. Rosencrance (2000) indicated that 83% of shoppers said the key benefit of online shopping was convenience, while 81% said it saved time and 51% said it saved money over purchasing items at brick-and-mortar stores. If consumers really find shopping enjoyable, they may not like the Web (Reed 1999). But if trying to find parking, hunting through tons of merchandise, fighting the crowds, and dealing with salespeople isn't the ideal shopping experience, the Web is a pleasant alternative for holiday shopping. In addition, early predictions for the holiday 99 shopping season indicated that online shoppers were likely to buy from merchants whose

stores or catalogs they had already frequented (Kane 1999).

Consumer Reports Online (CRO) provides a sort of e-commerce report card, which evaluated online shopping web sites (Neeley 2000). This report rates the merchant's site policies, usability, organization, ordering procedures, site content, and speed of customer service inquiries through email. CRO also indicates if the site posts detailed information about transaction security, return policies, and shipping costs. If appropriate, the report also makes comparisons between an online store and its catalog operations.

Shop.org (1999a) suggests that it is important to create a deep understanding of customer needs. Additionally, online retailers can create value in empowering consumers to compare like products and services through rich content and information; offer convenience by bundling related products and services, increase selection and distribution, reduce price of products, and create a sense of affinity and community. The report concludes that online merchants can withstand competitive challenges by offering: unique products, level and richness of content around the purchase experience—not available from other retailers, customization and personalization, and exclusive strategic partnerships. It is key in generating revenue to convert browsers at the web site into buyers by making the purchase process self-directed, comprehensive and convenient. Make it easy for people to move through the shopping process and encourage them to return. Loyalty keeps customers coming back. To create loyal customer, the site must deliver a flawless experience to the customer at all points of contact, and provide fast and accurate fulfillment. Shop.org terms these lasting loyalty conversions or “sticky” customer relationships. Profitability in ecommerce is all about creating loyal customers and driving repeat sales (Janoff 2000).

### ROLE OF LOGISTICS

The aspect of logistics as it relates to online shopping is also relevant to this discussion of online shopping and customer satisfaction. It is proposed by Sharma and Grewal (1995) that the primary determinant of customer satisfaction is the gap between customers' expectations of the logistics service performance and the actual service performance. They suggest that managers should understand and occasionally shape the customer's prepurchase service expectations in order to increase customer satisfaction. Their research specifically

includes these five attributes which customers rank as very important: 1) availability of item; 2) after sales service and backup; 3) efficient logistics service communications; 4) paperwork and 5) delivery time. They further define three levels of logistics service expectations: 1) expected (positive disconfirmation) 2) equal to expectations (zone of indifference) or 3) worse than expected (negative disconfirmation).

An interesting aspect of research by Spreng and Olshavsky (1993) addresses when disconfirmation will influence satisfaction. They suggest the consumer's confidence in their own expectations may be a requirement for disconfirmation to have an effect on satisfaction. Consumers may not rely on their expectations unless they are held with a fair amount of confidence. Additionally, when consumers are dependent on someone else for information, as opposed to direct, personal observation of the product, the beliefs they hold about what the product will do may be important in forming satisfaction. If there is a discrepancy between what was promised by the seller and what the buyer receives, the buyer may feel misled. This is likely to have an effect on the consumer's level of satisfaction. Finally, the satisfaction literature also addresses the resultant level of consumer commitment and loyalty. Some research purports consumer satisfaction and loyalty are inextricably linked (Oliver 1999). However this study made the admission that just satisfying consumers will not necessarily make them loyal, and that satisfaction is rather unreliable in determining or predicting loyalty.

One recent study by Hennig-Thurau and Klee (1997) did examine the impact customer satisfaction has on customer retention and development of a relationship with the customer. They theorized that overall quality leads to trust and commitment. The research found that relationships with high levels of overall quality as well as high levels of trust and commitment were more stable, and resulted in higher rates of customer retention.

### CUSTOMER EXPECTATIONS

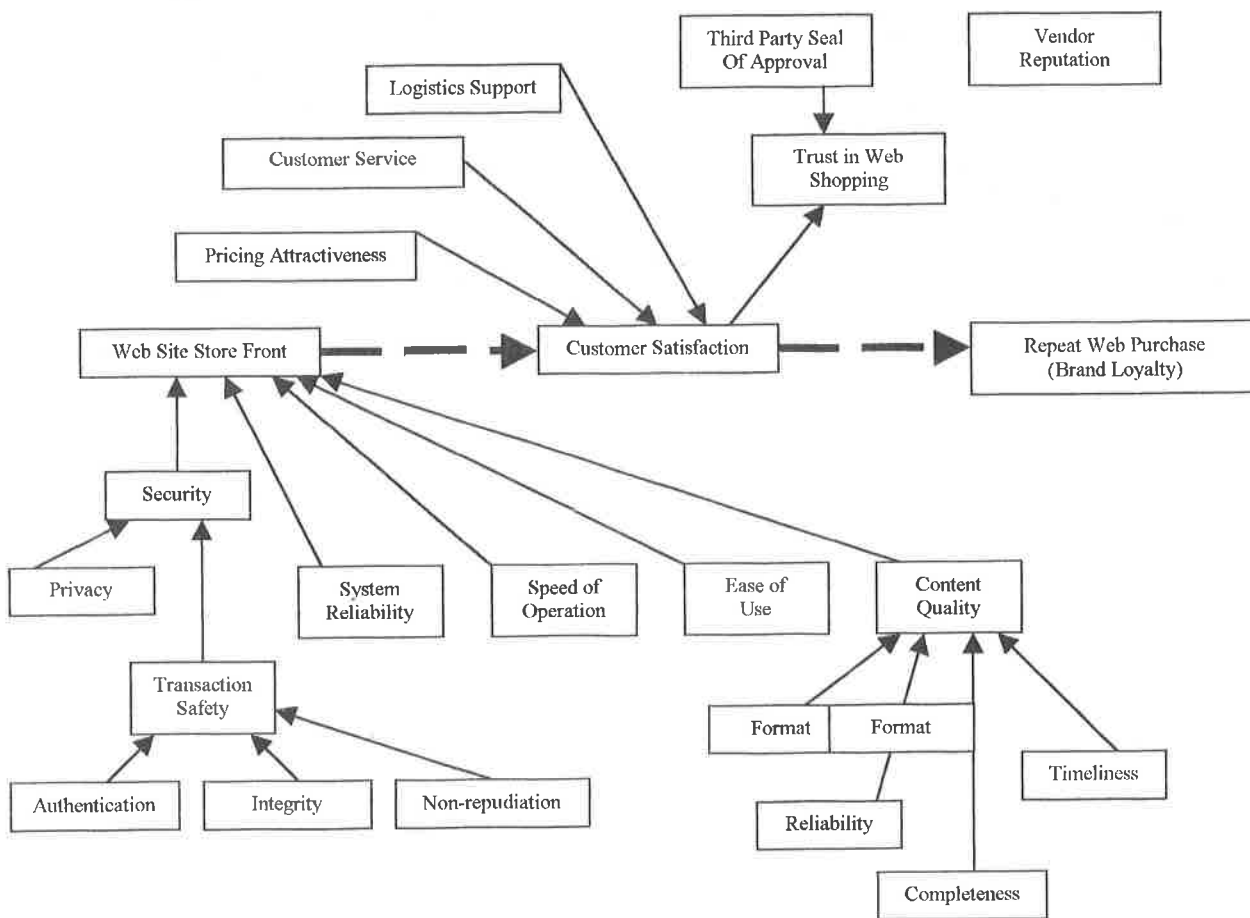
So what do consumers expect from online retailers? It has been suggested that online consumers are pretty sophisticated, and those with previous online experience have some basic expectations regarding appropriate service (Cheng 2000), and online expectations are getting more sophisticated. Cheng (2000, p. 36) further concludes, "The companies that consistently do customer services well, Amazon, eToys and Dell, offer a great combination of service and utility." Many online

retailers have no idea how to service customers, when deliveries will arrive, or how to manage back-end logistics. Electronic shopping is past being a prototype, and customers expect to be treated well (Anonymous 1999). Customer service may be the way consumers differentiate online retailer, while these retailer in turn, build customer loyalty and get them to stick.

Based upon this discussion, it seems appropriate to examine consumers' satisfaction regarding their online shopping experience, with regard to what role customer service plays in providing customer satisfaction. It is also proposed that analysis into the role of perception and

expectations of what should occur will influence customer satisfaction. It is being suggested that the Comprehensive Model of Internet Consumer Satisfaction (Turban, Lee, King, & Chung 2000, page 83) by Lee (1999) is sufficiently comprehensive to examine the role of the many variables play in determining a consumer's satisfaction with their Internet shopping experience (see Figure 1). Furthermore, this model also incorporates repeat web purchases loyalty, or "sticky customers" into satisfaction. This model established two major variables or components in the development of repeat web purchases (brand loyalty): 1) web site store front, and 2) customer satisfaction.

**FIGURE 1**  
Customer Satisfaction Model



Source: Lee (1999); E. Turban, J. Lee, D. King, and M.H. Chung (2000)

The model further identifies multiple variables, which influence each of these two main components. The variables this paper suggests warrant further examination are for 1) web site—security, system reliability, speed of operation, ease of use and content quality, and 2) customer satisfaction—pricing, customer service, logistics, and trust in web shopping. Based upon the failures of the 1999 holiday season, further examination and testing of Lee's model (see Figure 1) during the holiday 2000 and post-holiday season are proposed. The research questions proposed are:

1. Does one or more of the variables in this model have greater impact on online customer satisfaction?
2. Do prior experience and perceptions influence online customer satisfaction?
3. Does customer satisfaction indeed result in loyal customers, who "stick" with a(n) specific(s) retailer(s)?

It is proposed to survey online shoppers regarding their attitudes and perceptions, expectations, and post-purchased evaluations during the 2000 holiday and post-holiday season, and in turn test the model.

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# STUDENT SATISFACTION: A CRITICAL COMPONENT IN THE MARKETING OF A UNIVERSITY

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## ABSTRACT

*The successful marketing of a university requires emphasizing aspects of an educational experience that are important to students. This study identifies college experiences which students report as being important and examines how these college experiences impact satisfaction. Results and implications are included that should help universities in the development of marketing strategies.*

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## INTRODUCTION

Due to an increasingly competitive and dynamic educational environment, as well as numerous challenges that include declining enrollments and a general public demanding accountability of tax dollars, universities are becoming more aware of the importance of student satisfaction. An additional reason for this increased importance being placed on student satisfaction is that numerous studies have shown student satisfaction to positively impact student motivation, student retention, recruiting efforts and fund raising. As a result, universities have exhibited their commitment to student satisfaction through mission statements, goals/objectives, marketing strategies, and promotional themes.

The purpose of this article is to investigate what aspects of a college experience is most important to students, and to assess the impact these aspects have on overall student satisfaction. Universities can best attract and retain quality students through identifying and meeting students needs and expectations. To this end, it is imperative for universities to identify and deliver what is important to students. Higher education is increasingly recognizing that it is a service industry and is placing greater emphasis on meeting the expectations and needs of students (Cheng and Tam 1997). Focusing on student satisfaction not only enables universities to re-engineer their organizations to adapt to student needs, but also allows them to develop a system for continuously monitoring how effectively they meet or exceed student needs.

## STUDENT SATISFACTION

Student satisfaction in this study refers to the favorability of a student's subjective evaluation of the various outcomes and experiences associated with

education. Student satisfaction is being shaped continually by repeated experiences with campus life. Moreover, the campus environment is seemingly a web of interconnected experiences which overlap and influence student overall satisfaction. What happens to students in the classroom is not independent of all other experiences relating to campus life.

For example, Browne, Kaldenberg, Browne, and Brown (1998) found that global satisfaction with a university was driven by a student's assessment of the quality of course work and other curriculum-related factors associated with that university. This same study also concluded that the likelihood of a student recommending the university to friends/relatives was heavily influenced by the extent of interaction between the students of university personnel.

Sevier (1996) argues that a university's product is more than its academic program. Rather, the product is the sum of the student's academic, social, physical, and even spiritual experiences. Universities typically focus on the academic dimension of a student's educational experience, stressing such things as student-to-faculty ratios, quality programs, and faculty credentials. It is important to realize, however, that students may value educational dimensions differently. A university may emphasize academic and spiritual experiences, while students may expand their evaluation to include social experiences available on campus.

Borden (1995) found that student satisfaction is related to the match between student priorities and the campus environment. Similarly, Hartman and Schmidt (1995) reported that student satisfaction was multi-dimensional and depended on the clarity of student goals. Kotler and Fox (1995)



suggest that the majority of students are satisfied with their academic programs, but are less satisfied with support services such as academic advising and career counseling.

Successful universities have come to realize that it is better to invest now (retain students) than to invest later (attract new). This is especially true in the service sector (such as education) where customer acquisition costs are generally higher than customer retention costs (Ennew, Binks, and Chiplin, 1994). Patterson, Johnson, and Spreng (1997) demonstrate empirically a very strong link between customer satisfaction and repurchase intentions. Students who are dissatisfied with their educational experience tend not to return to college. For many universities, student satisfaction is an avenue through which a competitive advantage can be gained.

The measurement of student satisfaction can be challenging because of different ways satisfaction can be viewed, the nature of higher education, and the confusion about who is the customer. Moreover, Babin and Griffin (1998) argue that many satisfaction measures lack face validity due to contamination of other closely related constructs. They also suggest measuring dissatisfaction separately from satisfaction.

## METHODOLOGY

### Questionnaire

The survey instrument used in this study was the Student Satisfaction Inventory™, which is distributed by USA Group Noel-Levitz™. The questionnaire consists of 116 items that cover a full range of college experiences as well as demographic characteristics of respondents. Students are asked to rate each college experience with regard to "importance" and "satisfaction." The items were Likert-type statements on a seven-point scale ranging from (1) "Not Important At All" or "Not Satisfied At All" to (7) "Very Important" or "Very Satisfied" (7). Students are also asked three summary questions dealing with: a) "overall satisfaction" with their educational experience, b) level of expectations met by their college, and c) would they enroll again at their college.

The Student Satisfaction Inventory™ assesses levels of perceived importance and satisfaction along the following eleven dimensions: 1) academic advising effectiveness (5 items), 2) campus climate (17 items), 3) campus life (15 items), 4) campus support services (7 items), 5) concern for

the individual (6 items), 6) instructional effectiveness (14 items), 7) recruitment and financial aid effectiveness (6 items), 8) registration effectiveness (5 items), 9) campus safety and security (4 items), 10) service excellence (8 items), and 11) student centeredness (6 items).

The Student Satisfaction Inventory™ has demonstrated exceptionally high internal reliability. Cronbach's alpha is .97 for the set of importance scores and .98 for the set of satisfaction scores. The survey instrument has also demonstrated high convergent validity ( $r = .71$ ;  $p < .00001$ ) with the satisfaction scores of the College Student Satisfaction Questionnaire (CSSQ).

### Sample

A convenience sample of 1,805 freshman, sophomore, junior, and senior students from an upper Midwest university was collected. An effort was made to select classes that would result in a representative sampling of the student body on campus. Approximately 53% of the students were female, slightly over 75% were in the age group (19 - 24), and most were Caucasian (84.5%). These demographic characteristics are very representative of the student body at this Midwest University.

### Data Analysis

For the purpose of data analysis, the top 20 perceived important college experiences were identified on the basis of evaluating the mean importance ratings. Next, the satisfaction scores from these 20 items were used as independent variables in a stepwise regression analysis to assess their impact on student satisfaction with his/her overall college experience. The dependent variable was a self-reported satisfaction score using a 7-point Likert scale with responses ranging from "1 (Very Dissatisfied) to "7" (Very Satisfied). The question read, "Rate your overall satisfaction with your experience here thus far."

## RESULTS

The findings of the top 20 most important educational experiences are presented in Table 1. As shown in Table 1, "Valuable Course Content" (6.56), "Easy Registration Process" (6.56), and "Quality of Instruction in Major" (6.50) are reported to be the top three most important experiences. This is closely followed by "Availability of Classes" (6.49), "Placement Rate of Major" (6.47), and "Knowledgeable Advisor" (6.45).

Table 2 presents the results of a stepwise regression analysis used to predict student satisfaction with their overall educational experience. Eight of the top 20 important college experiences were found to be significant independent variables in predicting overall student satisfaction. These eight independent variables (college experiences) are shown in Table 2. Although not an absolute test for the importance of each predictor, beta weights (non-standardized regression coefficients) are useful in determining the relative weights of the independent variables in a regression equation. The variables are listed according to their beta weights from largest to smallest.

As shown in Table 2, "Intellectual Growth Opportunities," "Reasonable Graduation Time," and

"Quality of Instruction in Major" were all strong and significant predictors of student satisfaction. "Safe and Secure Campus," "Tuition is a Good Investment," "Valuable Course Content," "Easy Access to Academic Progress," and "Easy Registration Process" are also all significant predictors of student satisfaction. Two interesting additional findings in Table 2 are: 1) the three most important college experiences as reported by students (i.e., Valuable Course Content, Easy Registration Process, and Quality of Instruction in Major) are all in Table 2 as significant predictors of student satisfaction, and 2) "Intellectual Growth Opportunities" was 20<sup>th</sup> on the top 20 most important college experiences, however, this item appears to be one of the strongest predictors of overall student satisfaction.

**TABLE 1**  
Top 20 Important College Experiences  
(7-point scale)

College Experience	Mean Importance
1. Valuable Course Content	6.56
2. Easy Registration Process	6.56
3. Instruction Quality in Major	6.50
4. Availability of Classes	6.49
5. Placement Rate of Major	6.47
6. Knowledgeable Advisor	6.45
7. Knowledgeable Faculty	6.41
8. Reasonable Graduation Time	6.41
9. Overall Quality of Instruction	6.40
10. Tuition is Good Investment	6.39
11. Advisor is Approachable	6.36
12. Safe and Secure Campus	6.34
13. Clear Requirements for Major	6.34
14. Availability of Advisor	6.34
15. Good Variety of Classes	6.32
16. Adequate Computer Labs	6.31
17. Fair and Unbiased Faculty	6.27
18. Faculty Availability	6.25
19. Access to Academic Progress	6.25
20. Intellectual Growth	6.23

**TABLE 2**  
Predicting Student Satisfaction

College Experience	B	SE B	Beta	t	Sign. Level
Intellectual Growth	.251104	.025861	.241649	9.710	.0000
Reasonable Grad. Time	.135324	.020496	.152805	6.602	.0000
Quality of Instruction	.142941	.024712	.144718	5.784	.0000
Safe & Secure Campus	.104910	.020617	.110823	5.088	.0000
Tuition Is Good Invest.	.090951	.021034	.107526	4.324	.0000
Valuable Course Content	.094688	.022930	.095943	4.129	.0000
Access To Acad. Progress	.047824	.020970	.051996	2.281	.0227
Easy Registration Process	.033924	.016469	.046804	2.060	.0396
Multiple R	.62570				
R Square	.39150				
Adjusted R Square	.38821				
Standard Error	1.05531				

\*Note – The remaining 12 college experiences were not significant at  $p < .05$ .

### SUMMARY AND CONCLUSIONS

The results of this study show that there are certain aspects of a student's college experience which are more important than others with respect to influencing student overall satisfaction. The college experiences having the highest perceived importance were "Valuable Course Content," "Easy Registration Process," "Quality of Instruction in Major," "Availability of Classes," "Placement Rate of Major," and "Knowledgeable Advisor." What these findings suggest is that for universities planning marketing activities, there is a need to address these aspects of a college experience in their marketing activities.

These topics would seemingly be areas that students would use to evaluate universities during a student's selection process. In developing a coordinated marketing campaign, to include campus visits, marketing brochures aimed at potential students, and other forms of promotion, it is imperative to stress these important college experiences. This is what students' feel they want and need from a quality educational experience.

Marketing activities, however, which focus on enrollment management may want to have a slightly different focus. Enrollment management activities tend to focus more on student retention strategies. These strategies focus on how best to

keep students satisfied and coming back year-after-year. Student retention is clearly tied to how well a university meets or exceeds student expectations, thus resulting in student satisfaction.

In this study, the variables that had the strongest impact on overall student satisfaction were "Intellectual Growth Opportunities," "Reasonable Graduation Time," and "Quality of Instruction in Major." These aspects of a college experience are somewhat different than what students reported as being the most important to them. Enrollment activities that are aimed at current students might want to stress the opportunities for intellectual growth on campus, the graduation timetable for fulltime students, and the reputation of their quality programs.

In conclusion, as universities develop marketing strategies that will enable them to compete in the twenty-first century, they must first identify what is important to students with regard to their educational experience. Next, universities must meet or exceed the expectations of students in order to create and maintain a high level of student satisfaction. It should be remembered that the most effective and efficient means of attracting new students is having satisfied students as ambassadors for the university.

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# MARKETING THE UNITED WAY: CAMPAIGN STRATEGIES

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## ABSTRACT

*United Way contributions through payroll deductions have declined from 47% in 1990 to 34% today. This paper analyzed fifteen fundraising techniques and found that seven, which included personal experiences as part of the technique, were effective as fundraising tools for United Way campaigns.*

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## INTRODUCTION

United Way serves as an "umbrella" agency, collecting funds of community organizations and disbursing those funds among the supported agencies. United Way gathers funds primarily through payroll deductions approved by contributors and in general receives the cooperation of area industries and businesses. Many major companies have an employee active as an UW volunteer. Through PSAs, posters in area businesses and industries, and meetings held in cooperating companies, United Way makes employees aware of the needs of United Way agencies. Then, employees are solicited to contribute their "fair share."

As reported recently in the Wall Street Journal, contributions through payroll deductions have declined from 47% in 1990 to 34% today. United Way is slowly losing the mainstay of its fund development.

Is there something that United Way can do to reverse this trend? Our research will show that there is something that can be done. Campaign meeting techniques can be measured and evaluated as to their effectiveness in securing larger annual contributions from employees.

## LITERATURE REVIEW

We searched the literature on nonprofit fundraising. We found few studies, which examined fundraising techniques. Leadingham's (1993) study on giving to a Midwestern United Way is one of the few studies measuring fundraising techniques. Kelly

(1998), basing his research on the public relations theory, his findings support the practitioner's ladder of communication effectiveness. He found minimal differences between donors and nondonors in relation to exposure to mass media techniques and those at the bottom of controlled media: "Givers are only somewhat more likely to recall UW televised PSAs, a UW billboard, a UW newspaper add or radio message, and to have viewed a UW film at work than non-givers...[On the other hand], UW givers are almost three times as likely to have attended a UW group meeting at work. And, they are more than twice as likely to have received a solicitation letter or memo at their place of employment" (Leadingham 1993, p. 372).

The practitioner's ladder of communication effectiveness correlates with the ladder of fundraising effectiveness. This ladder points out that personal face-to-face solicitation is the most effective technique. The least effective is the media (advertising) (Russo 1991). Using Leadingham's (1993) sample, it is not surprising that givers attended a group meeting and received a solicitation letter at their place of employment.

Jones (1998), city librarian of Seattle Public Library, reports the success of a fundraising campaign for the library. The library experimented with four campaign strategies: book stuffers, telefunding, door hangers, and direct mail. Placing a library challenge brochure into each stack of books as they were checked out was the most effective with the largest gifts at the lowest cost per dollar raised. Telefunding was second, then door hangers, and finally direct mail.

**FIGURE 1**  
Ladder of Fundraising Effectiveness: Solicitation Techniques

1. Personal face-to-face
  - a. Team of two
  - b. One person
2. Personal letter (on personal stationery)
  - a. With telephone follow up
  - b. Without telephone follow up
3. Personal telephone
  - a. With letter follow up
  - b. Without letter follow up
4. Personalized letter
5. Impersonal letter (direct mail)
6. Impersonal telephone (phonathon/telemarketing)
7. Fundraising benefit (special event)
8. Door-to-door
9. Media (advertising)

Again, the success of Seattle Public Library can be explained by the ladder of fundraising effectiveness. The interaction of librarian and patron at the time of checking out books would certainly raise the consciousness of the patron to the needs of the library. This personal face-to-face interaction is most effective. Telefunding, door-to-door, and direct mail are least effective.

#### RESEARCH METHODOLOGY

In order to measure the effectiveness of fundraising techniques, we selected fifteen campaign practices to be used during an annual campaign of a Midwestern United Way. For each technique, one group was exposed to the campaign practice and one group was not. Average annual contributions were then calculated for each of the two sub-groups and compared using a statistical test.

Fifteen fundraising techniques were selected. These were:

1. Pacesetter campaign (starting a campaign early and set the pace)
2. Number of participants (involving more participants in the fundraising effort)
3. Food provided at the meetings
4. CEO of the company present at the meeting
5. United Way representative in attendance at the meeting
6. Agency speaker from the United Way umbrella
7. United Way video used

8. Company provided incentives—gifts for people who donated money
9. Last years gift amount on card—a reminder of last years donation on this years donation card
10. Use of a UW Testimonial
11. Use of a Campaign Committee within the company
12. Solicitation of leadership givers (those who give up to one percent or more of their income)
13. Training of ECM—a company representative agrees to come to the United Way to work for a period of time
14. Management team solicited by the CEO
15. Pledge cards signed and returned immediately after rally or within 24 hours of the meeting

#### Sample Size and Data Collection Plan

At the beginning of this research, the goal was to identify 20 to 25 companies that were representative of the United Way's employer base and willing to actively participate in the study. From the volunteer companies, we hoped to involve 1,000 to 1,500 individual donors.

We developed a detailed and comprehensive plan to maximize company participation in the study and to insure that standard data collection procedures were utilized.

1. Calls were made to enlist support and commitment from each company's chief executive officer.

2. Upon receipt of completed donor cards, the amount of donation was coded and entered in the computer. Statistical programs were written with SPSSX software and used to analyze the data.
3. Finally, we developed a checklist to track important factors associated with the design of each company's campaign fundraising techniques.

### Problems Encountered

When conducting field research, one is typically faced with a variety of obstacles and challenges. This research was no exception. In spite of the best efforts of the researchers, we encountered several vexing problems. Among these were:

1. Our goal was to include 20 to 25 companies in the study that were representative of the employer base. By the time the study began, we had solid commitments from 19 organizations. However, of this group, only 13 actually provided us with data.
2. We also fell short in achieving our goal of 1,000 to 1,500 individual participants. Our final total was 920.

### Statistical Testing

By using the student's t-test to establish a probability, we were assured that it is not chance that led to the differing amounts given by the two groups.

### RESULTS

We compared the average annual donation of employees who were exposed to one of the campaign techniques with the average annual donation of employees who were not exposed to that campaign technique. In order to establish probability, we used the student's t-test.

As reported in Table 1, seven campaign techniques were found to be statistically significant: showing a United Way video, the company providing incentives, using a United Way testimonial, having a campaign committee in the company, soliciting leadership givers, soliciting the management committee by the CEO of the company, and signing and returning pledge cards immediately. These techniques provided the Midwestern United Way with an increase in pledges/donations and a guide for future campaigns.

**TABLE 1**  
Campaign Characteristics with a Statistically Significant Impact on Average Annual Contribution

Campaign Characteristics	Yes-GP Avg. Ann \$	No-GP. Avg. Ann. \$	df	t-value	Prob.
UW Video Shown	\$144.61	\$74.52	402	5.6 <sup>1</sup>	<.001
Company Incentives Provided	\$158.61	\$99.91	594	4.5 <sup>2</sup>	<.001
UW Testimonial Used	\$170.24	\$108.36	594	4.3 <sup>2</sup>	<.001
Company Had Campaign Committee	\$139.44	\$87.43	436	4.3 <sup>1</sup>	<.001
Leadership Givers Solicited	\$148.10	\$108.74	460	2.8 <sup>1</sup>	<.01
Management Team Solicited by CEO	\$165.46	\$105.78	320	4.0 <sup>1</sup>	<.001
Pledge Cards Signed & Returned Immediately	\$148.49	\$88.68	580	4.8 <sup>1</sup>	<.001

<sup>1</sup> Calculations for t-value based upon unequal group variances

<sup>2</sup> Calculations for t-value based upon equal group variances

Again, using the ladder of effective fundraising, it is not surprising that these seven were found to be statistically significant. All of these required a personal experience. Some took place within a group setting (seeing an UW video, hearing an UW testimonial). The others involved the CEO of the company or a campaign committee composed of employees in the company, i.e., a personal relationship with the "asker". (There was, of course, a bit of pressure put on the employee when the CEO did the ask.)

## CONCLUSIONS

This research has examined the effectiveness of campaign techniques in a fundraising campaign. Marketing a United Way and its member agencies calls for an increase in personal solicitation, rather than relying on impersonal techniques. By increasing the number of and amount of personal and one-to-one techniques, United Way can reverse the trend of decreasing payroll deductions.

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# PILL(AR)S OF MARKETING HISTORY: 19<sup>th</sup> CENTURY PROPRIETARY GOODS (WITH AN EBAY ASSIST)

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## ABSTRACT

*Proprietary goods—especially matches, medicines, and perfumes—played an important role in marketing history after the Civil War. First, they were among the initial consumer goods to enjoy national branding and national distribution. Second, they pioneered packaging concepts still in evidence today—fostering visibility and differentiation on the shelves, creating tamper-proof seals. Third, the proprietary companies conducted major advertising and sales promotion activities, both to customers and to retailers in the channel. They were in fact one of the major advertisers! Collectible evidence from bourses, as well as ebay and its non-electronic predecessor (the flea market), will be introduced to supplement marketing records to demonstrate the validity of these points.*

## INTRODUCTION

Proprietary goods—especially medicines—have not enjoyed a healthy reputation from either social critics (Young 1961, Chapters 13-14) or marketing historians (Presby 1929, Chapter 3).

With good reason.

Operating in an environment free from regulation or regulatory control, many of them—or so their advertisements claimed—would have cured more diseases than were then known to mankind. Ayer's Cherry Pectoral (1840s-turn of the century) promised a "rapid cure for cough, asthma, and consumption." You should, admonished an advertisement, "Take AYER'S PILLS for all purposes—of a purgative, for constipation—indigestion, headache, and liver—complaint." One of the muckrakers noted "that more alcohol is consumed in this country in patent medicines than is dispensed in a legal way by licensed liquor vendors, barring the sales of ale and beer" (Holcombe 1979, p. 317).

Although they dated from the Revolution, their heyday occurred during and after the Civil War, when proprietary medicines enlisted in the cause:

To cure Secession and its ills,  
Take Dr. Scott's Cast Iron Pills;  
Well mixed with Powder of Saltpetre,  
Apply it to each "Fire Eater."  
With Union Bitters, mix it clever,  
And treason is warned off forever.

Long before nutraceuticals (Tripp 2000, p. 4), they tested the definitions of drugs. Yet, despite the odoriferous nature of their claims, pharmaceuticals, cosmetics, and matches helped pioneer marketing of consumer goods in the 19<sup>th</sup> century.



## PIONEERS OF BIG BUSINESS

Proprietary goods, and their owners, were as integral to the rise of big business in late 19<sup>th</sup> century America as the more well known Robber Barons. Many of the tycoons responsible for the products were as recognizable in their own time as the more infamous Fisks, Bradys, Goulds, and Rockefellers. Some, such as Demas Barnes and Ray Vaughn Pierce, became Congressmen (Griffenhagen 1969, p. 7). Others—prominent among who was Dr. Henry T.



Helmhold, more resembled the Robber Barons. Dr.

Helmhold's claim to fame was the Extract of Buchu. He touted the drug as a cure for the "horrors of venereal diseases, caused by 'excesses in married life, early indiscretion, or self-abuse.'" This contribution to marital bliss enabled him to build a "Temple of Pharmacy" in New York that numbered the powerful and wealthy of the Gilded Age as its guests. (Young 1961, pp. 114-116).

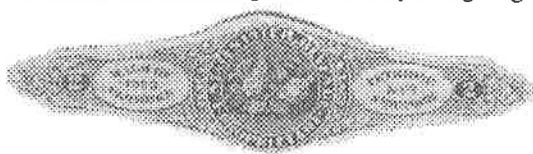
Because they operated in "an economy of abundance" as Young (chapter 11) has noted, drugs needed distribution and differentiation. The "key task" quickly became not production, but sales, the job of persuading ailing citizens to buy his particular brand from among the hundreds offered (Young 1961, p. 166). The way in which they did so constitutes a major contribution to marketing history, as this paper, supported by artifacts from flea markets, stamp bourses, and their e-commerce successor, Ebay, will demonstrate.

## BRANDING AND DISTRIBUTION

Pharmaceuticals and the related proprietary goods—especially matches and perfumes—were among the earliest mass-produced, branded, nationally distributed consumer goods. Ironically, the voracious need of the Federal Government to pay for the Civil War furthered the transformation of these products from commodity to branded goods. In 1862, Congress passed a revenue act, which taxed many goods and services, including the proprietary goods. This act defined as "subject to stamp duty every kind of preparation made and sold as medicinal, and claimed by the maker or vendor to be proprietary, or recommended as possessing peculiar virtues imparted in the manufacture by the secret art or occult formula of the manufacturer. . . ." "It would be taxed if the manufacturer claimed the formula was a secret or exclusive property. "It cannot be treated as medicine for the consumer, and bread and water only for the tax collector. The dealer must be taken for what he professes himself to be, and if he seeks profit by deluding the public, he must pay for his privilege like an honest man" (Mahler 1988, pp. 224-225). Congress then authorized the Internal Service to print revenue stamps to indicate that the dealer had paid "for his privilege like an honest man." Act of 1870 permitted patenting of drugs (163) or at least the name, signature, symbol, package trademarks. These provisions were vital for the development of these goods in the mass market.

## Proprietary Stamps

While the government issued generic revenue stamps, manufacturers of proprietary goods could pay for these required taxes by designing their



own die for their own stamps. Almost 300 companies elected to make their own dies—and these were the important companies in their trade. The stamps were required for 20 years. Of the 8 billion stamps printed nearly 5.3 billion were printed from the private dies (Griffenhagen 1969, p. 4). Known to philatelists as the "match and medicine" stamps, these eminently collectible items are less well known to the marketers today. Over 120 medicine companies, around 110 match companies, 27 perfume companies, 11 playing card manufacturers and one canned good



company (West 1980a) created "handsome steel engraved stamps, answering the purpose of labels. . . ." The Internal Revenue Service believed it had served business in two ways: providing a discount and "comparatively speaking, free advertising, which was limited only by the amount of business which he did" (Toppan, Deats and Holland n.d., p. 120). Butler and Carpenter, the printers, early on pointed out the competitive advantage for Herrick

Pills, the pioneer in the proprietary stamps: "[A]s the first private proprietary die printed . . . you will enjoy an advantage over your equally afflicted brethren in the trade" (Griffenhagen 1969, p. 4).

## Branding Matches: A Case in Point

Over 100 match companies purchased their own private dies, many of them wrapper-sized. They were the only stamps with room for copy. The tax, however, was disproportionately high—60% of the wholesale—against the cost of goods sold. This cost might account for the steady diminution in the number of match companies, for the larger discounts for the purchase of private dies "could hardly have been more favorable to the stronger match manufacturers or less favorable to their competitors among the weaker ones" (West 1980b, pp. 6-8). By

the end of the period, the Diamond Match Company used 90% of all the match stamps. Part of Diamond's strategy was to rebate the amount of the discount they received to channel members who purchased exclusively from them! Thus was born the match trust.



The importance of the stamps in the process of building brand identification was revealed after the repeal of the tax in March 1883. Reluctant to give up the private (and proprietary) stamps, several of the manufacturers altered the dies to eliminate "Internal Revenue" or the amount of the tax "so that manufacturers would continue to seal their nostrums with the well known stamps or labels" (Griffenhagen 1969, pp. 70-77). Several manufacturers continued to issue facsimiles of the stamps down through the late 1930s! Some used facsimiles as part of their other promotional material—such as trade cards (Riley 1987; Strasser 1989, Chapter 2; Webster 1988) and almanacs (Ferry 1987).



And at the time of the Spanish American War, when customers were again called upon to pay taxes on proprietary goods, some companies used private dies again (Castoria was one), while most others used the colorful but generic battleship issues. Johnson and Johnson combined the two approaches; it purchased "private dies" in the same size and shape as the battleships!

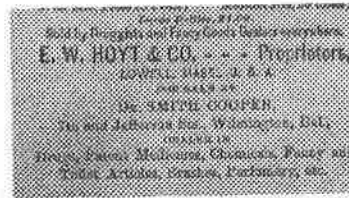
### Distribution

The goods pioneered in distribution. An example is provided by Antikamina's born 1890 in St. Louis. The drug (which contained codeine) was highly addictive. The company distributed samples through the mail to physicians, but also lawyers and businessmen. The range of trade cards demonstrates how widely the goods were distributed (see below).

### PIONEERS OF PACKAGING

The stamps helped identify the product on the shelves. Stuck on bottles, they were "cancelled" when the bottle was opened (which is why the collectible stamps may have tears!). Their promotional value was as part of the packaging. As E.W. Hoyt's German Cologne advertisements boasted, "Ask for HOYT'S GERMAN COLOGNE," and before purchasing see that the name is blown in the bottle, the signature of the proprietors printed in

red ink across the label, and as an additional guarantee of genuineness observe our PRIVATE United States Revenue Stamp over the cork." Because the stamp covered the cork, not only were the bottles "genuine"; they were also likely to be tamper proof!



### INNOVATORS IN ADVERTISING

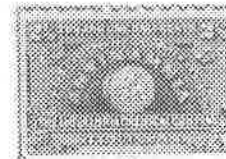
The proprietary companies were among the major advertisers. Trade cards were sales promotion items for both the channel of distribution and the customers. Companies of all sorts (Ebay listed 2169 cards on October 2, 2000, touting everything from life insurance to pianos) gave the cards to retailers, who in turn put their store on it—and gave the cards to customers.

Eminently collectible, cards could contain useful information that would give customers reason to retain (Hoyt's cologne had calendars), or inducements to buy (perfume cards frequently gave a sniff).



the

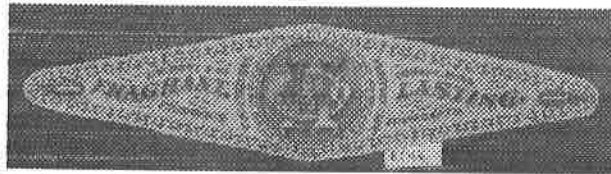
The so-called Victorian Trade Cards were part of national advertising campaigns. W.C. Ayer, inventor of Ayer's Cherry Pectoral, Sarsaparilla, and Cathartic Pills, ran a world wide advertising machine. Inventor (machinery for his factory), and entrepreneur (builder of canals and railroads), Ayer's sales promotion techniques built a global presence; he sent Ayer's pills "for all purposes" to the Emperors of China and Japan, to Czar Nicholas—for his army, and to the presidents of Peru and Mexico. Ayer believed that his product "must keep its remedies fresh" in people's minds. "This is done by advertising." He practiced what he preached. 1900 newspapers carried his advertisement; like other big proprietary companies, he published—7,000,000 pamphlets, 12 million circulars (or, as he liked to think of it, 8 1/4 miles of pamphlets and 1894 miles of circulars) (Holcombe 1979, pp. 11-15).



Several companies sought a competitive advantage by noting that the US government supported their efforts. For example, Brandreth's pills proclaimed a "United States Certificate of Genuineness," implying an approval not admitted by the government—but not denied for a decade. Brandreth's advertising mentioned the stamps and their connection with the government—"See my private stamp upon each box, by permission of the Honorable Commissioner of Stamps. Observe B. Brandreth in white, which names the Genuine Pills." Although in the government refused to print the stamps without modification in 1874, Brandreth's pills—still manufactured today—were pioneers of placement and advertising. The "entirely vegetable and innocent" drugs (one is tempted to ask, "why?") spent over \$3,000,000 in advertising. Their ads were found in Harper's Weekly and Harper's Bazaar—among other magazines, and listed dealers, used testimonials (even from the Bible—"The life of the flesh is in the blood.").

Dr. Kilmer was another of the major advertisers. Kilmer & Company published 12-14 million 16 page books and almanacs per year. The company inserted advertisements for "Swamp Worth" in 312 country newspapers, and conducted one of the first major (Holcombe, 313) national advertising campaigns. He gave away \$2 worth of "Swamp Root" for \$1 of advertising space in the late 1800s, building branding awareness and achieving widespread distribution. The company's was no accident." Willis Kilmer, grandson of the founder, earned an associate degree in advertising from Cornell University.

Dr. Pierce took out advertisements in Harper's Weekly for \$7000 in one 1874 issue, and \$3000 in another. He was also fond of painting advertisements on the side of barns—advertisers that were visible as late as the 1930s (Holcombe 1979, p. 403).



## A Case in Point

All three of these developments—branding, packaging, and advertising—can be found in the ebay/flea market/stamp bourse supported story of the E.W. Hoyt and Company of Lowell, Massachusetts. Hoyt, one of the major 19<sup>th</sup> century perfume companies, was born in 1868 according to the bottles. It seized on the private die stamps in 1877, purchasing them for its German Colognes in the 25 cent trial size and the \$1 large size; in 1880, it expanded its line to include a stamp for its 50-cent size. Hoyt used the stamps on both the bottles and its numerous trade cards. The best seller was the trial size—8 million stamps (from 1877 until 1883, when the act was repealed) versus the \$1 bottle, for which about half a million stamps were used.

Hoyt issued trade cards every year through the turn of the century—some as part of the competitive strategy against the similarly named F. Hoyt. E.W. had German Cologne—F. Hoyt had Egyptian Cologne. E.W. added Ten Cent and Five Cent Cologne; F. Hoyt added Nickel and Dime. E.W. added Eau de Cologne and Rubifoam for the teeth. All were accompanied the ubiquitous trade cards. (Koref 1983)

## EPILOGUE

Although the reign of the facsimile and trade card ended around the turn of the century (Strasser 1989, p. 104), the proprietary period left its mark on marketing history. Several of the companies still exist today. So do many of the practices from a century ago. Well known to collectors and philatelists, the origins of these practices deserve to be better known by marketers!

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# ASSESSMENT OF THE INTERNET-ASSISTED MARKETING COURSE: THE INSTRUCTOR'S PERSPECTIVE

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## ABSTRACT

*This paper reports the results of a study designed to identify the reasons marketing faculty utilize Internet technologies in their classroom-based courses, to assess the impact of Internet technologies on teaching and learning, and to evaluate the level of institutional support and incentives provided marketing faculty that teach Internet-assisted courses.*

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## INTRODUCTION

Since the World Wide Web was developed ten years ago by Tim Berners-Lee, many educational institutions have rushed to connect to the Internet (Johnson 1999). According to CCA consulting, nearly 50% of higher education institutions currently engage in some type of online learning (Blackboard 1999). Not since the invention of the printing press in the 15<sup>th</sup> century has an invention generated so much potential to dramatically change how people communicate and interact with one another. Indeed, the Internet, and the technology that supports its may well constitute the third modern revolution in higher education (Stukel 1997).

Integrating technology into the instructional program has seen as important to the teaching/learning environment in order to provide students with meaningful activities (Charp 2000). The 1998 National Survey of Information Technology in Higher Education found that one-third of all classes are using the Internet and one-fourth are using World Wide Web pages for class resources and materials. In addition, 45% of undergraduate students and 52% of faculty use the Internet at least once a day. The report concludes that a major challenge of institutional information technology is helping faculty integrate Internet-based technologies into instruction and providing them with adequate support (Green 1998).

## LITERATURE REVIEW

The Internet's potential to improve the teaching/learning process lies in its ability to enable educators to collect feedback from students which

can be used to monitor student progress, control the pace of learning and evaluate teaching strategies. According to Chickering and Ehrmann (1996), when searching for technologies to enhance communications in a classroom-based course, educators should eschew materials that are didactic and search instead for technology-assisted solutions that are interactive and evoke student motivation. Salomon (1993) and Schrage (1990) explicate that interactive or cooperative learning communities provide a richer environment in which to share ideas and engage in learning, than do more didactic instructional environments. Using Web-based communication technologies that increase access to faculty members, help them share useful resources, and provide for joint problem solving and shared learning can usefully augment face-to-face contact in the classroom (Chickering and Ehrmann 1996). Researchers have found that adding these technologies can strengthen faculty interactions with all students, but particularly with those who are hesitant to participate in traditional classroom discussions (Partee 1996; Owen 1993). It is often easier for these students to discuss values and personal concerns in writing than orally, since inadvertent or ambiguous nonverbal signals are not so dominant (Chickering and Ehrmann 1996). The result is communication that is more intimate, protected, and convenient for the student than the more intimidating demands of face-to-face communication with their teachers. Indeed, research has shown that students are often more daring and confrontational regarding the expression of ideas when allowed to use Web-based communication tools (Kubala 1998).

By using the interactive components of the World Wide Web, educators are able to utilize several interactive instructional strategies that can facilitate the development of intellectually motivated students (Rasmussen and Northrup 1999). These interactive components of the Web can help engage students in active application of knowledge, principles and values, and provide them with feedback that allows their understanding to grow and evolve (Hazari and Schnorr 1999). This interaction can be with content, other students, or the instructor. Researchers such as Gagne, Briggs and Wager (1988) have stressed the importance of evaluating students' understanding, providing feedback during evaluation, and assessing complete understanding of each concept as part of the effective learning process. Moore and Kearsley (1996) and Cornell and Martin (1997) have specifically identified interaction and feedback components as factors that influence student motivation in completing a course. Online interaction also has the potential to build communities of learners, foster the development of meaningful collaboration and support deeper levels of learning (Mason 1990; Harasim 1992; Holt, et al. 1998).

Because Web technologies can be used to foster various types of interaction, they support the development of constructivist learning environments. In designing learning environments, researchers (Honebein 1996; Lebow 1993; Knuth and Cunningham 1993) have advocated using constructivist theory for effective learning. Constructivism incorporates pedagogical goals in the knowledge construction process by providing appreciation for multiple perspectives, encouraging self awareness of the knowledge construction process, situating learning in relevant contexts, encouraging ownership in the learning process, embedding learning in social experience, and encouraging multiple models of representation (Vygotsky 1986; Bruner 1990).

However, while the integration of Internet-based technologies in the curriculum may indeed introduce new and highly effective teaching paradigms, high-quality teaching is not always assured. Administrative decisions made without due consideration of pedagogy, or worse, with policies or technology that hampers quality, may cause much wasted time, money and effort of both faculty and student. Because of this, many faculty members have been hesitant to adopt new technology (Jaffee 1998). Another factor contributing to this slow rate of technology adoption is a lack of institutional support given to those faculty wanting to use instructional

technologies (Barley 1999; Parker 1997). Until faculty are comfortable using and accessing information with technological literacy, there will be no significant change in instructional practices in the classroom (Porter and Foster 1998).

## SURVEY

The objectives of this study were as follows: (1) to identify the reasons marketing faculty utilize Internet technologies in their classroom-based courses, (2) to assess the impact of Internet technologies on teaching and learning in the marketing curriculum from the instructor's perspective, and (3) to evaluate the level of institutional support and incentives provided marketing faculty that develop and teach Internet-assisted courses. The population for the study consists of marketing faculty listed as teaching Internet-assisted courses offered through post secondary institutions in the United States. These were classroom-based courses utilizing Internet technologies as opposed to courses that are offered entirely online.

The list of marketing faculty teaching Internet-assisted courses was obtained through two Web sites: the World Lecture Hall at the University of Texas at Austin (<http://www.utexas.edu/world/lecture/>) and Syllabits (<http://nsns.com/Syllabits/mar/>). Both of these sites provide a comprehensive list of undergraduate and graduate courses in marketing that utilize Internet based technologies. A systematic sampling strategy was used in which a set sample interval was applied to the list of marketing course categories at World Lecture Hall and Syllabits. A second sample interval was then used to select a course within those listed under the randomly selected categories. Once the courses were selected, the email addresses for the instructors of these courses were obtained.

A total of 54 marketing courses were included in the sample. The instructors of these courses were sent an email message inviting their participation in an online survey if they were currently teaching an Internet-assisted course. Those faculty who were teaching Internet-based courses were asked not to complete the survey. The email message explained the purpose of the study and provided the URL for the online survey. A total of 19 complete and useable responses were received for a response rate of 35%. This rate is considered very high in comparison to surveys of faculty that use conventional postal mail (Hagen and Raggad 1998). It is not possible to assess the representativeness of

this sample since it is not known what the rationale is for listing courses on Syllabits or the World Lecture Hall or if those courses are in any way representative of the total population of online marketing courses.

The majority (85.7%) of the faculty included in the study taught an undergraduate, Internet-assisted marketing course and most (78.6%) have been teaching Internet-assisted courses for more than three years. When asked how satisfied they were with their Internet-assisted courses, 57% said they were very satisfied. The remainder, 43%, indicated that they were somewhat satisfied. None of the respondents indicated that they were dissatisfied with their Internet-assisted courses.

The primary reasons given by these instructors for incorporating Internet technologies in their marketing courses were as follows: to encourage active learning (92.9%), to facilitate communication with their students (71.5%), to facilitate student access to course materials (syllabus, reading assignments, review tests, etc.) (92.9%), to introduce students to the potential of the Internet as an information resource and to encourage them to use it as a research tool (85.7%), to facilitate more collaborative learning (57.1%), to appeal to a greater variety of learning styles (78.6%), to increase students' appreciation of and ability to use Internet-based technologies (92.8%), and to facilitate classroom management (post grades, return assignments, distribute readings, etc.) (57.2%).

Availability of support services has been identified as a critical factor in the adoption of instructional technologies. When asked about the level of technical support provided by their institutions to faculty wanting to develop Internet-assisted courses, the majority (57.1%) responded that this support was available and that they were encouraged to use it. Furthermore, 71.4% of the respondents rated the level of technical support offered by their institution as good to very good. However, when asked whether faculty members at their institution were assisted in making the transition to teaching Internet-assisted course and assessed in the process, only 35.7% indicated that this assistance was provided. When asked if their institution provided faculty with incentives for developing and teaching Internet-assisted courses, only 21.4% of the respondents indicated that it did. The level of satisfaction with Internet-assisted courses was found to be significantly correlated with both the amount of technical support provided ( $T = 4.198$ , Sig. .003) and incentives offered ( $T = 2.808$ , Sig. .023).

When asked to indicate the extent to which they agreed with the statement "I believe learning and teaching have greatly improved since I started using Internet technologies I my courses," 14.3% of the respondents strongly agreed, 42.9% agreed, 28.6% were neutral, and 14.3% disagreed. The respondents' perceptions of the impact that Internet technologies have on teaching and learning was found to be significantly correlated with their experience using Internet technologies ( $T = 3.182$ , Sig. .008).

## CONCLUSIONS

Based on the survey results, marketing faculty teaching Web-assisted courses are satisfied with their courses and believe that the Internet technologies they are using do enhance teaching and learning. It is also evident that many of these faculty are taking advantage of the interactive nature of the Internet by utilizing several interactive learning strategies in their courses. Many researchers (Chickering and Ehrmann 1996; Salomon 1993; Schrage, 1990; Rasmussen and Northrup 1999; Moore and Kearsley 1996; Cornell and Martin 1997) believe that a high level of interaction is critical to the success of a Web-assisted course. Indeed, it has become increasingly evident that Interactivity is the *sine qua non* for quality in any course, whether it be a traditional classroom-based course, a Web-assisted course or a Web-based course (Phipps and Merisotis 2000).

While the respondents indicated that the level of technical support provided by their institutions was sufficient, it does not appear that many institutions go beyond simply offering software training to their faculty. This training will need to evolve into training faculty in how to effectively use technology in a learning environment. It must include teaching faculty about learning theories and how to recognize learning styles of individual students in order to maximize learning experiences in the classroom. This type of training is considered essential in assisting those faculty making the transition from conducting a teacher-centered classroom to a learner-centered one. This paradigm shift from "teaching" to "learning," is considered necessary for the effective use of technology in the classroom (Rogers 2000).

Finally, while many of the respondents were teaching Internet-assisted courses despite the absence of institutional incentives, their level of satisfaction with these courses was found to be significantly correlated with the amount of incentives they were offered. Consequently, institutions seeking to raise



the level of satisfaction among faculty integrating technology into instruction would be well advised to offer these faculty incentives such as release time and/or additional compensation. In addition, these

incentives may encourage more faculty to consider utilizing Internet technologies in their classroom-based courses.

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# TEAM TEACHING A FRESHMEN BUSINESS COURSE: AN INTERDISCIPLINARY APPROACH

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## ABSTRACT

*The paper recounts one university's efforts to answer calls of increased recruiting, retention and student success, and the concurrent call for interdisciplinary types of courses and instruction. Using a format similar to what White et al. (1998) and Flanagan and Ralston (1983) term "participant-observer" model, a faculty team constructed an overview of business administration course aimed at entering and second-term freshmen. Outlined are the objectives of the course, faculty selection criteria and course results. Funding and faculty time are critical, and calling the program a resounding success would be premature. That it met initial objectives is true; the long-term success is still in the air.*

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## INTRODUCTION

There are two equal and important pressures being exerted on colleges and universities. These are to recruit and retain students and to foster student success. In addition, there is increased pressure to develop an interdisciplinary business education (Reeve 1992). As a major effort to answer these pressures, a first-year experience course was created and taught in the Fall of 1998. This effort consisted of an interdisciplinary team of business professors following a participant-observer model similar to that proposed by White et al. (1998), and Flanagan and Ralston (1983). While each team member teaches a segment of the course to a large lecture group, each is also responsible for, that is prepares and participates in, individual smaller discussion sections.

The purpose of the paper is to describe objectives, organization of the class, and development of the interdisciplinary faculty team. The course is now in its third year, and initial success in meeting its original objectives has been shown.

## TAKING STOCK OF EARLY EXPERIENCES IN THE BUSINESS PROGRAM

While first-year students are enrolled in the college, the priority for first-year business administration students has been completion of courses in mathematics, written and oral communications, and university general education in humanities and sciences. Except for general advising and an occasional exposition of the programs in business, the college faculty and staff had little contact with first-year students in business. An introductory

course in business had been offered for many years, taught by graduate assistants, but the course is targeted to non-business majors and specifically excluded from the courses and credits counted toward the business administration degree. Other than a few first-year business students who entered economics or information systems courses, our students have had no business course and little connection to the business college until their second year.

Fast and hard connections between the business college and students are made during the second year, with a foundation consisting of two economics, two accounting, two statistics, one information systems, and one business communications course. Continuation in and formal admission to the business administration degree program is based upon a grade-point average of 2.25 or higher in the eight second-year courses. Some students repeat courses to make the grade, some voluntarily leave the college, and some are forced to choose other majors (or universities).

Indications that our past practices for first and second-year students were not working as well as they could included:

1. the rate that new business students stayed at the university for a second year was approximately 70 percent;
2. average grades for first-year business students were lower than those in any other college, including the university's academic enhancement unit;
3. relatively low grades were obtained in the

second-year foundation courses, with some students repeating courses to achieve the required grades and other students leaving the college;

4. some faculty noted that second-year students had little or no understanding of the business environment or fields, sometimes even after completing the core of second-year courses in business;
5. students had little connection to business student organizations or any other activities connected with the college; and
6. faculty had limited opportunity to assess or address progress in achieving program learning outcomes, particularly for first-year students.

Student learning outcomes for the business administration program include skills and abilities, attitudes and actions, and knowledge. Baseline assessments have been used to guide changes to curriculum, courses, and other college activities, and specifically to guide changes to the first and second-year student experiences.

A valiant attempt was made by several accounting faculty members to foster student success in the two required accounting courses and had the potential to aid the entire second and subsequent years in business courses. The first round involved redesigning the accounting principles courses to provide a general overview of business and to develop several skills while helping students to acquire the basics of accounting. The initial redesign proved to be excessively demanding for students and faculty; subsequent revision refocused on accounting basics while introducing other business functions and developing a smaller set of skills.

The first-year gap in student connections to the business college and in a foundation, context, or overview of business administration remained. Several new initiatives were undertaken, including a review and subsequent improvements to the business and mathematics interface and a new course for the first year.

#### **DEVELOPING THE COURSE OBJECTIVES AND FORMAT**

Combined with several other initiatives designed to increase recruitment, retention and success of students, a first-year experience course was developed. A review of other business college's first-year offerings was undertaken and purposes defined for the course as: (1) connecting students with faculty, other students, and programs and services of the college and university; (2) providing students with an earlier basic understanding of

the fields of business administration; and (3) developing students' study and other skills. In addition, the course faculty could aid students in selecting areas within business or direct students to disciplines and services outside the college when needed or more compatible with the student's interests. Objectives more specific to the business field were set as follows:

1. to connect first-year students with the faculty, facilities, activities and programs of the college;
2. to provide students with an overview of the business environment;
3. to introduce students to functional areas and careers in business;
4. to expose students to the language and concepts of business and to expectations of the college in preparation for later course work;
5. to challenge the students to consider global, cultural, and ethical dimensions of business study and practice; and
6. to develop oral communication and problem-solving skills and reading interests.

The course was designed to be taught by a multi-disciplinary team of faculty from the college. Faculty from several departments were asked to join the teaching team, and guest presenters were recruited for specific lectures and to provide information regarding services of the university and college, such as advising, study labs, and internship opportunities. The team attempted to keep the course as simple as possible to avoid overtaxing the faculty and students involved, and a course coordinator was assigned. The course was designed as follows:

1. two credit hours (semester hours) as electives toward the business administration degree;
2. assigned text and other readings;
3. one class period per week in a large lecture format (180 students), devoted to presentation of business topics, including an overview of each discipline (such as accounting, economics);
4. one class period per week in smaller sections (30-35 students) led by individual faculty members, and devoted to discipline and career information, as well as discussion of assignments to develop knowledge and competencies in problem solving, reading, and communication; and
5. common examinations and grading schemes.

## **SELECTING AND DEVELOPING THE TEAM**

Based upon input from the dean, who was asked to support and promote the initiative, and based upon the interdisciplinary nature of the course, several criteria for selecting team members were identified. First, from the college perspective for course success and in order to generate interest, commitment and dedication, several faculty were targeted who had:

1. reputations as good teachers and advisers;
2. demonstrated interest in undergraduate students;
3. concern for and commitment to the college's programs as well as those of their individual departments or disciplines;
4. established teaching, research, and service records such that they were tenured or close to tenure; and
5. interest and ability to work in a team setting.

Second, the interdisciplinary nature of the course demanded faculty knowledge and experiences that covered a variety of disciplines, and the model used to provide that coverage was to recruit individuals from various disciplines within the college and to set the stage for expansion of the core group and possible rotation of members in subsequent years. Thus, commitment from several departments was needed.

Essential to the philosophy behind this interdisciplinary course was the development of the right team. Careful thought went into selecting who should be invited to join the teaching team. There was no call to all the faculty asking for volunteers. First, it was essential that each individual on the team meet the initial selection criteria and be a champion of the college as well as a champion of his/her own discipline. Second, once individuals were identified who possessed these characteristics, they were approached and asked to join the team. It was at this juncture that the individual was free to volunteer or not volunteer.

After much discussion by the initial nucleus of team members, six additional characteristics were identified for all members of the team. A listing and amplification of these characteristics follows.

### **Share Knowledge of the Subject Matter**

One could claim that knowledge was an obvious selection criteria but upon closer examination, it was more complicated. First, the individual, while well versed in a specific discipline, must have the capacity to break this knowledge down into its most easily

comprehended form. This is a skill that many highly knowledgeable individuals do not or cannot do. Second, while the expertise of a specific knowledge area was paramount, so too was the individual's capacity to learn or relearn the basic concepts of the other disciplines taught in the course. While the individual would present his/her area in one or two lecture sessions, it was important that each team member have knowledge of all the other areas. This was critical for the discussion sessions and individual interactions with students where the material was clarified, questions were answered, and homework assignments were discussed.

### **Take Risks and Be Held Accountable**

The course was formulated to address college enrollment and student learning goals. There was speculation but no assurance that the course would help the college to meet these goals. An interdisciplinary effort such as this was a new undertaking for the college and its various departments. The individual was stepping forward to be a pioneer and was to do this without assurance that such an undertaking would be supported or valued by the departments. The extent to which the project would be successful, supported, and valued was not known. Further, the individual would be accountable to all other team members, who were dependent upon all others for the success of their individual discussion sections.

### **Accept and Deliver Peer Criticism and Suggestions**

The format of the course was such that all team members needed to attend each lecture as well as their individual discussion sessions. Thus the individual whose responsibility it was to lead that section of the course, including the lecture and materials for discussion, was in essence receiving a peer evaluation from the other team members. Indeed, the rest of the team members were highly dependent upon the one leading that section of the course. Formal and informal meetings of the team were in part evaluations; suggestions for improvement were frequently given. These included details regarding lecture presentations, materials, concepts selected for coverage, discussion-session issues, and exam items. Given that all team members were engaging in this new activity, such comments were gratefully received and acted upon. In the end all the team members were that much more polished, and materials were streamlined.

### **Understand and Accept Students and Their Learning Process**

The enrollment of the class was initially limited to first-term students. All the faculty involved have

traditionally been focused on junior and senior students, other than some intermittent advising or a few who have taught a second-year course. They were now asked to interact with first-term college students, essentially a few months removed from high school. Inherently involved in the class was not only a discussion of content but also how to be a successful college student. Indeed there were times when sidebars on disruptive talking, discussions, readings or the art of note or exam taking were required. While the previous exposure to upper-class students provided a framework of a seasoned student, those in the class were involved in two learning experiences, one social in nature and one academic, that is adjusting to college and hearing new concepts. Study habits were in some cases still forming, and attention spans were still on MTV time.

### **Demonstrate Applicability of the Subject Area**

It was decided early on that the material should be presented in a way that its relevance to future success in a career or to life-long learning became obvious. Thus, the practicality of the examples was paramount. Evidence of the learning process of youths aged 18-19 pointed to relevancy, not esoterics. Some additional thought was put into how to present the concepts and how to keep the material to a reasonable but relevant amount.

The team members had to become aware of the prevailing attitudes, values, life styles and learning patterns of the new students. Prior to the first class, a series of meetings were held to discuss these issues, to dispel myths about this generation of students, and to increase awareness of potential behavioral patterns.

### **Be an Effective Communicator**

A simple transposition of lecture and discussion styles and supporting materials from an upper-level class to this first-year class would be an unmitigated disaster. Communication continues to be adjusted to be effective at this level. The team members had to express enthusiasm for the topics, generate enthusiasm for the business areas and professions, and clearly present basic concepts to the students and to the other team members.

### **COURSE RESULTS AND LESSONS LEARNED**

From the initial development of the course, the team set out to meet the objectives while keeping the course and its coordination as simple as possible. Measures of course success covered enrollment and learning goals, as well as the goal of keeping and attracting faculty participants. Evaluation was conducted throughout and at the end of each term and year;

evaluators have included team members, students, and the dean. Adjustments to course content and format were made over the past two years; most of these adjustments have been made in line with the goal of keeping the course and its coordination as simple as possible. In its third year, the course has received support from its students and their parents, the departments, and the college overall. Eight team members have participated, and preliminary success has been indicated by continued enrollment and early results in student retention.

### **Enrollment and Student Retention**

During the first year, course enrollment was limited to first-year students who were majoring in business (approximately 75 percent) or who were undecided at the university (approximately 25 percent). Orientation advisers and parents recommended the course as an elective. Enrollment was capped at the size of our lecture hall, 185 students, which resulted in six discussion sections of approximately 30-35 students each. Enrollment was also a function of the number of faculty members who participated.

During the first year, 347 students enrolled, and twelve discussion sections were taught (six sections in each term taught by six team members). During the second year, one faculty member was on leave and the course coordinator taught only one discussion section. As a result, nine sections were taught (five and four in the fall and spring terms, respectively), with a total enrollment of 285. The vast majority were first-year students, although a few second-year students who were newly interested in business were enrolled. Enrollment for the third year is slightly over 300, with two lecture groups and nine discussion sections being offered only during the fall term.

Early results show that students who took the course during its first year were more likely to continue at the university for a second year than those who did not take the course. The overall university one-year retention rate was approximately 78 percent; the business college rate was also 78 percent. However, nearly 85 percent of those students who took the new business course returned to the university for a second year. Results for the first year also show that approximately 83 percent of those students who were initially enrolled in the business college stayed in the college. While we had hoped to retain students in the college, we also recognized that some students would decide to pursue a different major and that some students would leave the university for reasons unrelated to the course.

## **Changes in Course Content and Format**

Throughout each term, team members have learned from each other and from results in particular areas of the course. Each team member has been responsible for developing and delivering lectures and materials for particular content areas of the course. Guest lecturers were invited to provide specific exposure to other faculty and disciplines.

A friendly competition among team members developed in terms of providing lectures and materials and in terms of the success of students in the individual's discussion sections. The students' understanding of material was indicated by their participation in discussion and by demonstration on assignments, quizzes, and examinations. At the end of each term, student evaluations and grades were examined to target areas for improvement in the course.

Overall, evaluations by students and the team members have been positive. The course content and format is essentially the same as originally planned. Adjustments were made, however, and a few of those are shared here. First, team members now lead and present all areas of the course. While guest lecturers were very valuable to the team members and the course, more continuity and adherence to a schedule covering the multiple areas of business was needed. Students indicated there was too much diversity of faculty presentations when the lecturer changed from week to week. Team members sometimes found they had to scramble to keep on schedule, particularly given common examinations and the objective of providing an overview of each of the multiple areas of business.

Second, expectations of how much could be accomplished in any one course were adjusted; one shift in format was implemented last year to address coverage. For each area of the course, a review list has been developed, and the lecture, discussion materials, and examinations are planned around that list. Homework assignments were reduced to a small set of short cases or exercises focused on areas that needed additional attention. Career and program information were moved to separate night sessions and are presented by specific programs and departments, instead of during the two class hours each week. Students in the course are required to attend their choice of a few of these sessions, and other students who are not in the course are also

invited. Thus, exposure to other faculty and to specific programs and careers complements but is not a direct portion of the course.

Third, we have added an important communication vehicle for the course - a web site containing study materials, assignments, review lists, and grades. The web site and e-mail are used for group and individual communications outside of class time. Career and other information links are also available on the web site. Finally, we continue to strive for student and course success by working with each other and reminding each other to keep it as simple as possible. Formal team meetings are kept to a minimum, but on-going communication occurs each week.

## **RESOURCE CONSIDERATIONS**

While we have had early success in terms of team membership, enrollment, and student learning, additional evidence is needed over time, including longer-term indications of student retention and success in later courses. Success of this course will be a function of strong participation by faculty members; a number of issues may impact whether faculty members choose to participate, including resources and support from the college and university as well as the departments.

Resources for the course include a modest operating budget, a course coordinator, and assistance from graduate students. The primary resource, however, is the faculty team, and the first-year course requires time and commitment from the team members, which can be at their own or their discipline's expense. During the first year, overload scheduling (and pay) was used for faculty. Since then, teaching schedules were adjusted so the course is taught within the normal teaching load.

If the course continues to meet important enrollment and learning objectives, it may be considered as a required course in business, which would necessitate its expansion. In the mean time, however, college enrollments have improved, and demand for additional sections of the currently required core courses and of other courses in the specific disciplines has increased. The faculty teaching this elective first-year course are also highly demanded for other undergraduate (and graduate) teaching. A long-term plan and funding will be needed to meet increased enrollments and learning objectives in light of other important goals of the college.

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# PARENTAL ASSESSMENT OF COLLEGE CHARACTER: BRAND IDENTITY AND CONSUMER BEHAVIOR IN HIGHER EDUCATION

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## ABSTRACT

*The concept of character development in higher education enjoys considerable professional support. Moreover, commercial marketers are aggressively promoting brand image and brand character to differentiate their products and services. However, there is a paucity of research on the marketing of a university's brand character. This exploratory research examines parental assessment of college character, its conceptual components and hierarchical factor structure. A discussion highlights practical implications for the marketing of a college's brand character.*

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## INTRODUCTION

The reputation of any university is paramount in establishing or maintaining market position. Conard and Conard (2000) reiterated this sentiment when they examined the role that a college's reputation plays in establishing and maintaining a positive consumer perception. They discovered three factors that affect college reputation: academic concerns, campus ethos and practical values. Conard and Conard's rationale for their study was simple: "More is known about consumer behavior when purchasing soap or salty pretzels than how high school students select the college they will attend." Hence, Conard and Conard built on previous research published by Vaughn, Pitlik and Hansotia (1978), Maguire and Lay (1981), Murphy (1981), and the Carnegie Foundation (1986). Each research team found that financial aid, parental preference, academic programs, school size, location and cost are important factors in establishing and maintaining a college's academic reputation.

## OVERVIEW OF BRAND CHARACTER

An academic reputation is a mindset. Knapp (2000), in his book *The Brandmindset* opens his first chapter by stating that a marketer should focus daily on one question: "How am I building our brand's equity?" This same question is appropriate for any university official interested in reputation management. Brand reputation and its equity, according to Knapp, represents the total public perception. This includes the concepts of quality, performance, loyalty and satisfaction. Knapp stressed the importance of how customers feel in

relationship to overall brand esteem. Moreover, he suggested that brand familiarity does not necessarily ensure brand distinctiveness. For emphasis, Knapp pointed out that regardless of how one rates quality, ultimately a product or service is only as good as the consumer perceives it to be.

A similar conceptual parallel exists in the university ranking game. Walleri and Moss (1995), as editors of *New Directions for Institutional Research*, addressed university assessment and the proliferation of guidebooks in their compilation of nine articles that evaluated college rankings. They discussed and offered institutional responses to the implications of the unfair weight given to academic reputation, but concluded that in today's world, reputation does matter. However, the question still remains: Do university officials know their reputation? What's more, do they understand any meaning behind their reputation?

There are many challenges in managing a brand's reputation. Few managers are capable of providing an objective, comprehensive assessment of their brand. According to Keller (2000), most brand managers are knowledgeable of one or two areas in which their brand excels but if pressed would find it difficult to identify the underlying factors to be considered for improving their brand's reputation. Given this, there is no reason to assume that university administrators are in any better position to evaluate their brand identity than the aforementioned brand managers. One of the most challenging tasks for university administrators is to determine if their college's reputation or academic programs are properly positioned. In practice they should

ask, "Do we command a particular niche in the consumer's mind?" Keller refers to this concept as "points of parity." Finding parity allows one competitor to develop an advantage over another by creating points of difference. Within a university system, marketing an intangible attribute is more often than not the point of parity. For example, it is common for university officials to promote character development in their student population.

Character has a myriad of official definitions and intuitive schemas. One could argue that character has observable signs, and others would stress that you cannot truly observe character. It is reasonable to assume that this type of academic question causes much debate. For brevity and clarity, however, the John Templeton Foundation (1999), in their college resource for parents, students and educators, explained character as being rooted in Greek writings. Here the Greek meaning for character is the constellation of strengths and weaknesses that form and reveal who we are. To that end, the Templeton Foundation lists in their guide profiles of exemplary programs, presidents, colleges and universities that inspire character development in students. In theory and practice, these programs focus on the virtues of honesty, self-control, respect and compassion. The Templeton Foundation offers a disclaimer, however, stating that many of the university profiles highlighted may not meet all the criteria as listed.

For clarification and extension, character development in college has a conceptual parallel in the marketing literature. Aaker (1996), in his book *Building Strong Brands*, introduced the idea that a brand personality is the set of human characteristics associated with a given brand. Building a brand's personality is a long-term, disciplined activity. The activities are essentially the same for Nike CrossTrainers and Northwestern University. Kotler and Fox (1985) stated that if an institution of higher education were to be responsive, it must have a strong interest in how its publics view the school, programs and services. Chevron (1998) postulated that a brand exists only through the values it reflects. Aaker and Joachimsthaler (2000) introduced a Brand Personality Scale that assessed five areas: sincerity, excitement, competence, sophistication, and ruggedness. All areas, as defined by Aaker and Joachimsthaler, could easily fit a character development model. More pertinent to higher education is The Josephson Institute of Ethics which proposes six pillars of character that are enduring and indispensable to ethical leadership (Jones and Lucas 1994). These pillars include trustworthiness, respect, responsibility, fairness, caring and citizenship.

The concept of character development in higher education enjoys considerable professional support. In 1996, Boyer stated that each school should affirm its commitment to character by seeking to define virtues. The National Council for Social Studies (1997) called for educators to renew their efforts to teach character. Gough (1998) discussed the need to concentrate on fostering and ingraining moral habits that give one the ability to handle issues of character. Dahlin and Abbott (1999) strongly urged colleges to include institutional requirements that embody the bold vision of character development.

## PURPOSE

Despite this emphasis on character development, there is a paucity of research on the marketing of character for institutions of higher education. In addition, there are few tangible signs of college character, given its intrinsic definition. Therefore, if college officials were interested in redefining their college's brand image to include character and differentiate it from other institutions, they should know what constitutes character from the consumer perspective. Topor (1986) and Wilbur (1988) addressed the complexities and challenges in repositioning the college image or brand identity. Yet, up to this time, no researcher has scrutinized the consumer perception of college character, identified salient factors inherent in college character, or offered marketing strategies for developing a college's brand character.

This exploratory research helps fill this void by addressing two qualitative research questions: 1) Can perceived components of college character be assessed by parents using popular university guidebooks?; and 2) Can a hierarchical factor structure be determined by clustering perceived components of college character in a rank-order? Given the nature and dynamics of consumer behavior in higher education, the overall purpose of this exploratory research is to determine the perceptual components of college brand character.

## METHOD

Participants were drawn from a sample of three hundred and six (N = 306) parents attending an independent "Career and College Exploration Night" conference in Ohio. The purpose of the conference was to help parents and prospective students select a college or university. Parents heard a brief lecture on character efforts in higher education. Following the formal character introduction, the parents had an opportunity to read popular university guidebooks, pick up handouts, and secure a limited number of college catalogues. Before resuming the official program schedule, there was a

request for parents to fill out an open-ended questionnaire that assessed their perceptions of college and university character.

The questionnaire included fifteen lines for listing in rank-order the perceived attributes of college character. Each parent read a paraphrased character definition printed as a survey header. Character as a definition came from the John Templeton Foundation (1999) in their college resource for parents, students and educators. The Templeton Guide stated that character has come to mean the constellation of strengths and weaknesses that form and reveal who we are. Parents then selected and rank-ordered fifteen pieces of information that they perceived to reflect college character. There were in excess of two hundred pieces of information contained within the guidebooks that could have been chosen. As instructed, parents used only the information obtained from available conference resources: Barron's Profiles of American Colleges 1999; Peterson's 4 Year Colleges 2000; U.S. News and World Report: Best Colleges 1999; America's Best Christian

Colleges 1999; and The Templeton Guide On Colleges That Encourage Character Development 1999. When rank-ordered, the type of information perceived to determine college character was listed from the most important to the least important. A comment section was included to foster participant dialogue and clarification. Securing parental comments was intended to assist data interpretation.

## RESULTS

Two hundred and twenty-one (N = 221) participants completed the questionnaire. When data were sorted, it was discovered that one hundred and twenty-six (n = 126) participants had eight common responses listed in the top fifteen. This addressed the first research question that asked if perceived components of college character could be assessed by parents using popular university guidebooks. The top eight responses, listed alphabetically in Table 1, identify college character with respect to parental perception.

**TABLE 1**  
Top Eight Parental Responses Identifying College Character

<u>RESPONSE</u>	<u>BRIEF DEFINITION</u>
ACT	Composite entrance score of Freshman class
AFFILIATION	Public, private, or religious ties
FIRST YEAR	Universities with established "First Year Experience" programs
FOUNDED	Year institution founded
GRAD. RATE	Institution's graduation rate
LEADERSHIP	Institutions with programs to build leaders
PH.D.'S	Percentage of Ph.D.'s at the institution
SENIOR YEAR	Institutions that have programs, which connect meaning to undergraduate experiences

Note. Top eight responses, listed alphabetically.

The second research question explored if a hierarchical factor structure could be determined by clustering perceived components of college character in a rank-order. Table 2 highlights the top eight parental responses identifying college character listed in rank-order. For clarification, AFFILIATION could have received a higher ranking of two (2) from one participant and a lower ranking of six (6) from another participant. Hence, AFFILIATION would have a relative rank-order score of four (4) when averaged. Additional information in Table 2 highlights the range, listed as minimum-maximum and the standard deviation found for each assigned rank.

Table 3 is the hierarchical factor structure of parental responses that identify college character. This table illustrates two distinctive hierarchical factors: (1) Factor 1, composed of four items with average rankings ranging from 2.6 to 4.7; and (2) Factor 2, composed of four items with average rankings ranging from 6.0 to 8.6. An equally divided hierarchical factor structure makes conceptual sense, given that eight items were found. Moreover, the largest difference between average rank scores occurs at the mid-point between "ACT" and "PH.D.'S."

**TABLE 2**  
Top Eight Parental Responses Listed In Rank-Order

Item	N	Minimum	Maximum	Average	Std. Deviation
AFFILIATION	126	1.00	11.00	2.6667	2.3082
GRAD. RATE	126	2.00	9.00	3.6587	1.4487
FOUNDED	126	1.00	15.00	3.9286	2.7573
ACT	126	1.00	15.00	4.7381	2.6538
PH.D.'S	126	3.00	15.00	6.0317	2.2906
FIRST YEAR	126	3.00	15.00	6.2222	2.0234
LEADERSHIP	126	4.00	15.00	7.3889	2.0784
SENIOR YEAR	126	5.00	15.00	8.6508	2.1329

Note. Minimum - Maximum range reflects actual assigned rank. Therefore, not all variables have equal range, given the participants' ability to choose from over two hundred character items.

**TABLE 3**  
Hierarchical Factor Structure Of Parental Responses

Item	Factor Label
AFFILIATION GRAD. RATE FOUNDED ACT	(Factor 1) EDUCATIONAL EFFICACY (ee)
PH.D.'S FIRST YEAR LEADERSHIP SENIOR YEAR	(Factor 2) INSTITUTIONAL INTEGRITY (ii)

Note. Factor structure derived from equal division of rank ordering.

## DISCUSSION AND IMPLICATIONS

This research addressed two questions of concern to university officials interested in assessing and marketing college character. The research findings elicit practical marketing implications. The first question examined if perceived components of college character could be assessed by parents using popular university guidebooks. Table 1 lists eight common items or themes. These findings support Aaker's (1996) assertion that like humans, a brand has a known set of recognizable characteristics. However, the findings do not lend support to the importance of financial aid or cost, in terms of perceived college character. This was the essence of reputation as determined by Vaughn, Pitlik and Hansotia (1978), Maguire and Lay (1981), Murphy (1981), and the Carnegie Foundation (1986). Perceived college character, as determined in this study, is comprised of

eight items: university affiliation, graduation rate, year founded, composite ACT score, percentage of Ph.D. faculty, "First Year Experience" programs, leadership programs and "Senior Year" experiences. It should be noted that an institution's affiliation (public or private) is intuitively related to assessing college character, for it occupied the first perceptual rank. However, there could be a strong religious component in this item, given the nature of many private institutions like Xavier University or University of Notre Dame.

In the comment section of the questionnaire, many participants equated a private institution with religious affiliation and quality. This finding lends credence to Knapp's (2000) claim that an academic reputation is a mindset. Moreover, the graduation rate of a university probably has pragmatic implications, but given the nature of the comments, the level of assumed

administrative or faculty support was paramount. In addition, the year founded as articulated by participants was an indication of institutional history with a subtle indication of tradition or quality. When participants discussed the standardized entrance test score (ACT) in their written comments, they referred to a type of student population with associated preconceived beliefs and expected academic challenges. Specific comments pertinent to the percentage of faculty with an earned Ph.D. suggested that participants evaluated this item as an expected quality of instruction and competency. For clarification, many parents commented that their goal was not to have their child—student taught by Master Level instructors (e.g., adjuncts, graduate assistants, or teaching assistants). Conversely, comments concerning “First Year Experience” programs and “Senior Year” experiences indicated the expected level of individual and professional attention given to students. Finally, the concept of university leadership opportunities is best viewed as “all or none.” For example, parental comments appeared to view leadership opportunities, or the lack there of, as an essential feature in character development. There was no extensive dialogue or specific examples, however.

The second research question examined whether an underlying rank-order factor structure existed when assessing college character. A two-factor solution was derived. These two factors appear to underlie parental perceptions of character in higher education. Factor One items include: University Affiliation, Graduation Rate, Year Founded and Composite ACT score of the Freshman class. Conceptually, Factor One became an indication of Educational Efficacy (ee). Factor ee considers student aptitude and the university’s historical capacity to actualize this aptitude in terms of graduation rates. Factor Two items include: Percentage of Ph.D. Faculty, “First Year Experience” Programs, Leadership Programs and “Senior Year” experiences. Conceptually, Factor Two became an indication of Institutional Integrity (ii). Factor ii demonstrates the perceived integrity of a university system. In essence, Factor ii reflects the university’s balanced efforts to acclimate the Freshman class while preparing graduating seniors to assume a leadership role, all under the auspices of highly qualified professionals. This factor may be a proxy for institutional quality.

In summary, two factors – Educational Efficacy and Institutional Integrity – were found to indicate character within a university system for the parents of graduating high school seniors. These findings were not conceptually different from Conard and Conard (2000) when they examined the role that a college’s reputation

plays in relationship to consumer perception. Although the authors posed different factor labels and items, the concepts of character and reputation are similar. Conard and Conard listed three factors, labeled as academic concerns, campus ethos and practical values. In any event, findings in this study support Keller’s (2000) sentiment that managers must be cognizant of the existence of underlying factors in brand identity beyond the obvious one or two items.

Finally, this study would be remiss if it did not point out some theoretically interesting omissions. First, the John Templeton Foundation expounded on the virtues of honesty, self-control, respect and compassion in relationship to character development. However, the responses listed in Table 1 hardly reflect Templeton’s overtly stated character traits. Parents perceived eight items — the composite ACT score of the Freshman class; public, private, or religious affiliation; universities with established “First Year Experience” programs; institution’s year of founding; university graduation rate; programs offering leadership opportunities; percentage of Ph.D. faculty; and “Senior Year” Experiences, which connect meaning to undergraduate experiences — as reflecting college character. Moreover, the Josephson Institute of Ethics and their six pillars of character — trustworthiness, respect, responsibility, fairness, caring, and citizenship — are not easily discerned from the research findings. The implication is that parental assessment of college character may differ qualitatively from what authorities expect individual students to learn. Perhaps the general public assumes these Templeton and Josephson characteristics to inhere in all colleges or universities. This finding would be similar to Aaker’s 1996 assertion that human characteristics are implicitly associated with any given brand. However, an alternative explanation could be that parents are more concerned with professional training than character development. Therefore, aggressively marketing academic integrity, volunteer service, substance abuse or sexuality programs may be counterproductive if items of Educational Efficacy or Institutional Integrity are omitted.

## CONCLUSION

This study extended the Topor (1986) and Wilbur (1988) discussions on the complexities of reformulating a college image or brand identity in terms of marketing character. The overall goal was to develop a conceptual framework of consumer behavior when examining perceived character in institutions of higher education. The research design employed descriptive summaries, rank-orders, and derived hierarchical factor structures to investigate brand identity and character. This

study held brand identity as unique, given the brand image. For clarification, a university's image may or may not reflect the university's identity. Hence, this exploratory study examined if the perception of university character had recognizable features, and if those features, when packaged, impact consumer perception.

Findings suggested eight features of character as perceived by parents when examining popular college guidebooks. The features inherent within college character assessment were: affiliation, the university's public, private or religious ties; college graduation rates, as noted according to four to-five year matriculation; founding, the university's year of inception; entrance ACT, the composite score of the Freshman class; Ph.D., the university's percentage of doctorate level instructors; first year experience, established first year programs within the university; leadership, established programs to build leaders within the university; and senior year programs, established programs connecting meaning to undergraduate experiences. When factors were hierarchically derived, two rank-ordered vectors emerged

— Educational Efficacy (ee) and Institutional Integrity (ii).

This research extends the body of professional literature addressing character assessment in colleges and universities. However, acknowledged limitations include a regional sample, participant response restrictions, and qualitative models. Moreover, elements of character had no natural, inherent value. For example, some parents stated that single-sex residence halls, alcohol policies, student activities for fraternities and gay-rights or conservative clubs reflected college character. However, these items were not deemed as indicative of positive or negative character attributes. The purpose of this exploratory research was to underscore the dynamics of perceived character and not arbitrarily evaluate the advantages and disadvantages of each item. As such, further research would be needed to both confirm these initial findings and establish working definitions. Moreover, since this qualitative research focused solely on parents and their perception of college character, it appears warranted to include student perceptions in future quantitative studies of college character.

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# CASE STUDY OF A BUSINESS/EDUCATION PARTNERSHIP – COMMUNITY RELATIONS AND COMMUNITY INVOLVEMENT

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## ABSTRACT

*The entire community benefits from strong business/education partnerships. Community relations and community involvement are essential components to the success of business/education partnerships. It is crucial that all participants are dedicated to the partnerships goals. This paper provides examples of some successful partnerships in the western suburbs of the Chicago, Illinois.*

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## INTRODUCTION

The trend in the United States to establish business/education partnerships continues to expand. There are a number of scenarios where the business community and educators can provide students with unique learning experiences. The business community has long been aware of the critical role education plays in developing a strong, competent workforce. More recently, businesses have come to recognize that they, too, have an important responsibility to support their communities' educational efforts. One effective and mutually rewarding way to do this is through business/education partnerships.

## BUSINESS/EDUCATION PARTNERSHIPS

If true reform in education is to occur, there must be a national consensus on the goals of public education in America. Additionally, specific standards for school achievement are required all educators, political officials, and business professionals need to agree on the basic standards (Weisman 1991). Partnerships are impacting school districts in a multitude of ways. They are being formed for school-to-work initiatives, community service, and business support in the form of speakers, mentors, tutors, and financial and in-kind donations. However, a number of business/education partnerships are not moving to the systemic level (Adams 1997). As business professionals work with a school, there is a realization of and appreciation for the complexity of a school's activities. The business professionals become more aware of the challenges facing public educators. This creates an appreciation for educators and sensitivity to the complexity of the

challenges of public education today (Southwick 1997).

The November/December 1998 issue of Illinois Business reported the results of a Workforce Development Survey completed by the magazine's readers. According to the article, "While many respondents commented that the Illinois Chamber and/or schools should become more involved in business/education partnerships, fully 60 percent ... indicated they are not involved in any such programs" (Whetstone and Bridges 1998, p. 24). At the same time, readers offered suggestions about how the Illinois Chamber could promote workforce development, including: "Highlight effective programs/partnerships between schools/colleges and businesses (Whetstone and Bridges 1998, p. 25)."

Communication is an essential tool for educational institutions (Southwick 1997). Both personal and non-personal communication techniques can be utilized. The personal methods, either direct or word-of-mouth, can be highly persuasive and personal influence "is often a potent factor in decisions to apply to, attend, or donate money to an institution" (Kotler and Fox 1995, p.76). Educational institutions identify influential and devoted individuals and groups, create opinion leaders, work with prominent community members, and highlight these people in public relations and advertising programs. With regard to public relations, Kotler and Fox (1995) suggest that educational institutions develop a community relations program. This can be accomplished by identifying local opinion leaders, encouraging the educational institution's faculty and staff to join and participate in local organizations, develop a speaker's bureau, participate in community



special events, establish a community advisory board, have open houses and tours, and allow the community to utilize the institution's facilities and programs.

### **COMMUNITY RELATIONS AND COMMUNITY INVOLVEMENT**

Business/education partnerships have been aggressively pursued by a number of organizations in the DuPage area - in the western suburbs of Chicago, Illinois. A plenary assemblage of participants - school districts, chambers of commerce, rotary clubs, businesses - have united to provide a challenging and compelling program for the community's youth to strengthen its workforce and enrich the community.

Two Rotary Clubs in Naperville, Illinois, have joined forces to form a "Career Insights" team. The "Career Insights" program offers mentoring, on-site visits, job shadowing, and limited internships. Participants in this program come from a wide range of areas: Naperville Area Chamber of Commerce Education Committee members, DuPage County's Education to Careers members, high school principals, and career counselors from all of the community's high schools.

During the 1999-2000 school year, twenty-five Rotarians and Chamber members made presentations in various classrooms, reaching over 850 students. Students were very receptive and enjoyed learning from business professionals, as well as their teachers. Business leaders shared stories that were relevant and current. The range of business partnerships is represented in a myriad of areas such as: assisted living, horticulture, finance, building remodeling, human resources, law, military, accounting, printing, law, and restaurant. Some students have also been involved in internships and receive academic credit for their work.

Several highly successful and innovative business/education partnerships have been established between Naperville Area Chamber of Commerce members and area schools. Partnerships are actively promoted and supported by the Naperville Chamber of Commerce through newsletter articles, special luncheon presentations, and a business-after-hours showcase each year. These partnerships offer exciting and enriching opportunities for students, as well as rewarding and beneficial experiences for local businesses. The enthusiasm of business partners is evident.

### **COMMUNITY RELATIONS AND PARTNERSHIP ACTIVITIES**

Education/business partnerships can be rewarding and successful. The following provides some examples:

The owner of a printing company in Naperville has established partnerships with several different schools in Naperville Community Unit School District 203 and Indian Prairie School District 204. These partnerships developed when a teacher contacted the company's owner seeking help with a student newspaper. The owner and several people from the company visited the school and explained how the students could produce a student newspaper. There were discussions about what students were doing in the school's computer labs and an explanation about how students could utilize their computer disk data to produce a newspaper. The students were able to follow the transformation of raw news material to the final product. They were also excited to see their bylines and stories developed into a newspaper format. Since the partnership began (over three years ago), over two hundred students have been involved with this project. Students have learned about writing, interviewing, editing, computers, digital cameras, the printing process, and teamwork.

A law firm in Naperville has created highly imaginative programs in Naperville School District 203 that helps students develop their skills and learn about careers in the legal field. Each year, the firm's attorneys and paralegals work with students from Naperville North High School's business law class. These individuals visit the school, answer students' questions about the legal profession, and help them learn the path from a high school student to a practicing attorney. Students have participated in some unique activities. As a final examination, students conduct a mock trial with the attorneys acting as judges. Creating scenarios based on exciting, timely events, the law firm sets the stage for dramatic courtroom scenes. Over the past three years, students have prepared cases relating to: the impeachment of a president; a lawsuit by the family of a victim of the Titanic; the expulsion of students from a school in a community similar to Decatur, Illinois; a school shooting spree resembling the tragedy at Columbine, Colorado; and the Microsoft - U.S. Government case. During the spring of 2000, students developed a case for the United States vs. Elian Gonzalez. Students structure their arguments, prepare for judicial challenges, and present their sides in a mock appellate courtroom. These activities help

students expand their speaking, communications and analytical skills. The attorneys bring an added dimension to the classroom and provide an exceptional experience for the students.

A uniquely different partnership was established with St. Patrick's Residence, a 210-bed nursing home, and Hill Middle School in District 204. This relationship crosses generations and introduces students to health and social issues. Since the nursing home is located close to the school, students and residents can walk between the two facilities. Students visit residents at the nursing home and read to visually impaired elderly adults. Once a year, fifth graders interview the elderly adults to write "living histories" and hear stories that make textbooks about historical and current material come alive. When sixth graders study aging in their health classes, residents travel to the school to meet with the students. These senior citizens help students better understand the problems and concerns of the elderly. Students perform choral concerts at the nursing home, and the nursing home residents often attend dress rehearsals of school performances.

Over two years ago, members of a large Naperville accounting firm began working with an accounting class at Naperville Central High School. During the first semester each year, students learn the basics of accounting and manually prepare the books for several fictitious companies. The following semester, members of the accounting firm staff join the class and teach students how to use QuickBooks, a popular business accounting program. Within several weeks, the students recreate all the work previously prepared for the phantom companies. The accounting staff members show students how

computers can reduce the amount of time people spend on accounting activities and how actual business accounting software works. The partnership participants help students understand the manual mechanics of accounting – debits and credits. But they also demonstrate to students how computer software can improve the overall productivity and efficiency in the accounting area.

## CONCLUSION

Across the United States, business/education partnerships are a growing trend. As reported in the National Association of Partners in Education (NAPE) Partnership Assessment Handbook, "NAPE represents more than 2.6 million volunteers involved in the Nation's 200,000 partnership initiatives in local school districts" (McDonald et al. 1993, p. 57). The resources these businesses bring to the schools are unparalleled. Such programs enable business leaders to provide insightful information about careers and job opportunities as students prepare for life's journey. Through practical and creative partnerships, students learn skills through an enriched curriculum, as well as experiential experiences. The depth and commitment of involvement in these relationships by all participants can be the measure of its success (Deal 1983). Community involvement and collaboration can involve anyone who is interested in and affected by the quality of education. Business/education partnerships provide enrichment of communities and strengthening of the workforce in the United States. With the accelerated growth of the global and technological society, these relationships add another dimension to learning, as we understand it.

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# CORPORATE DONATIONS: "SEEK AND YOU SHALL FIND"

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## ABSTRACT

*An examination was made of factors influencing donation budgets as well as criteria used in the decision to donate to a particular organization. In addition, major motives underlying donations and methods of solicitation were examined.*

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## INTRODUCTION

Reduced support by the Federal Government, for not-for-profit social and charitable organizations. This has resulted in a shift of the burden of support to private businesses and individuals however, it has been reported that many companies think of corporate contributions in terms of "strategic giving" (Cushman 1990; O'Hare 1991; Zetlin 1990). That is, they have begun to consider the impact of corporate donations on the bottom line, or at least in terms of the expected "benefit return" from this activity. The latter may be most evident in the development and popularization of "cause-related" marketing (Nimroody and Alperson 1989). In addition, product and in-kind donations have received renewed attention in the literature as alternatives to cash contributions (Smith 1989; Walker 1987). While product donations have grown slowly due, in part, to questions regarding IRS rules for above-cost tax deductions for product contributions to charity, there would seem to be a good case for this form of contribution during times of excess inventory. Similarly, Walker (1987) makes a good case for the virtues of in-kind donations, particularly worker "voluntarism." He also reports the results of a survey of CEO's indicating they still think primarily in terms of the more traditional cash contributions.

As a result, it is increasingly important for the not-for-profit organization to adopt a market-oriented attitude toward soliciting contributions from the private sector. The essence of this new market oriented approach lies in a clear understanding of the behavior of the donor market. However, current empirical research on corporate philanthropy is scant at best.

## OBJECTIVES

While the subject of corporate contributions has received a great deal of attention in recent years, there has been very little empirical investigation of corporate donation behavior. Specifically, there is little reported empirical research regarding levels of corporate donations, expected benefits to the donor organization, donor perceptions of methods of solicitation, and the donation decision process. The objectives of this study are to provide empirical information to fill these gaps and to update the information that does exist.

## METHOD

A survey was conducted of 700 businesses randomly drawn from the business directory of a Midwest metropolitan area. Additionally, another 700 businesses were randomly drawn from a vendor list of a health care organization that solicits corporate donations.

Companies were contacted by telephone prior to the initial mailing of the questionnaire to identify the name of the person in the organization to whom the questionnaire should be sent. Whenever the name was made available, the cover letter accompanying the initial mailing was personalized. In all cases, however, the cover letter requested that the survey be completed by the person in the organization who was most familiar with the company's donation behavior. After the initial mailing, two follow-up mailings were conducted. Overall, 261 questionnaires were returned for a response rate of 18.6%.

## RESULTS

### Sample

The final sample consisted of a wide variety of companies with annual sales ranging from less than \$100,000 to more than \$100 million. While 44.1% of companies were in manufacturing and another 25.7% in either wholesaling, retailing or construction, the balance were in service industries. Size of firms by number of employees varied with the median being 40 while the average was 1,320. Similarly, the median amount donated by the company in the past year was \$3,500 while the average was \$56,084. Thus, it appears that the sample captured a few large businesses with large donation budgets.

### Level of Donation

All but five respondent companies reported donating to various not-for-profit and/or charitable organizations in the last three years. Further, the percentage distribution of the level of donation over the time period from 1988 to 1990 stayed relatively the same, a finding confirming the relatively flat increase in corporate donations over the past three years as indicated in the Conference Board survey. However, the level of donation varied greatly between companies with approximately 9-10% of respondent companies donating in excess of \$100,000. Upon further examination, it was revealed that the level of donation is positively and significantly related to both the sales revenue and the number of employees of the companies. In other words, as might be expected, the larger the size of the company, the higher the donation amount tends to be.

Given this, the donor companies were subdivided into the following four categories based on a distribution of the level of donation made: (1) minor donors, companies donating less than \$2,000 in the past year, (2) moderate donors, donating between \$2,000 and \$9,999 in the past year, (3) heavy donors those donating between \$10,000 and \$99,999; and (4) major donors, companies donating over \$100,000 in the past year. This classification of donor organizations was maintained throughout the remainder of the analysis.

### Types of Organizations To Which Donations Were Made

As shown in Table 1, charitable organizations at both the local and national level, as

well as social service organizations, seem to do particularly well in acquiring donation dollars, regardless of the donor category. However, as a single category, collective charitable organizations such as the United Way have a greater frequency of receiving contributions than any other category of recipient organization. Public as well as private higher education organizations also do particularly well with both major donors and heavy donors, but not with minor donors.

Respondents were also queried regarding their preference for donating to an endowment program versus a project-related cause. The research revealed that, overall, a majority (55%) of respondents indicated no preference. Specifically, only 2.4% indicated a preference for endowment programs while 42.6% for project related causes. Among those respondents who did indicate a preference, no significant relationship was found between level of donation category and preference.

### Donation Criteria

**Budget Criteria.** The findings indicate that the single most important factor influencing the availability of funds for donations is the company's expected earnings in the current year with company earnings in the previous year the second most important factor. As shown in Table 2, this holds true regardless of donor category. Also of importance were the economic conditions in the donor company's industry. This is contradictory to the findings of a Conference Board survey (Harris and Klepper 1976) that indicated competitors comparisons were a major factor in setting the contribution dollar level. While, overall, there were little differences between the donor groups.

**Organization Criteria.** There were a variety of criteria that were shown to potentially influence the organizations to which donors choose to make a contribution. Table 3 presents the average importance ratings of donation criteria by Major, Heavy, Moderate and Minor Donors. The most important overall criteria were: (1) the credibility of the solicitation organization, such as whether or not the soliciting organization had a good reputation, and whether or not the organization is well known (this type of donating psychology - buying the "well known brand" - was especially acute for Minor Donors, and (2) the worthiness of the contribution, such as the nature of the soliciting organization, and whether or not the organization is local.

**TABLE 1**  
Types of Organizations to Which Donations Are Made

<u>Type of Organization</u>	<u>Donor Categories</u>			
	<u>Major Donors</u>	<u>Heavy Donors</u>	<u>Moderate Donors</u>	<u>Minor Donors</u>
<u>Education</u>				
Public Higher Education	63.3%*	64.1%	41.7%	21.5%
Private Higher Education	46.8%	51.3%	27.8%	12.3%
Public Secondary Education	35.4%	48.7%	27.8%	21.5%
Private Secondary Education	22.8%	25.6%	25.0%	10.8%
<u>The Arts</u>				
Performing Arts/Theatre	50.6%	64.1%	43.1%	26.2%
Museums	51.9%	66.7%	40.3%	23.1%
Symphonies	48.1%	51.3%	30.6%	13.8%
<u>Health Care</u>				
Hospitals	59.5%	35.9%	31.9%	24.6%
Clinics/Outpatient Programs	16.5%	10.3%	12.5%	4.6%
<u>Charities</u>				
Collective Charitable Organizations	79.7%	89.7%	79.2%	69.2%
National Charitable Organizations	57.0%	59.0%	55.6%	53.8%
Local Charitable Organizations/	68.4%	79.5%	70.8%	58.5%
<u>Other</u>				
Social Service Organizations	74.7%	76.9%	65.3%	61.5%
Political Action Committees	21.5%	23.1%	23.6%	9.2%
Zoo**	6.3%	5.1%	1.4%	6.2%
Public TV**	0.0%	0.0%	5.6%	4.6%
Other	16.5%	12.8%	13.9%	9.2%

\* Read: 63.3% of major donors reported donating to public education.

\*\* These organizations were not listed on the questionnaire but were written in by respondents.

Note: Percentages add up to more than 100% due to multiple responses.

Expected Benefits. Companies differed in their desire to have donations recognized and in the benefits they expected to receive from their donations. As shown in Table 4, the most important donation benefit expected was promoting community well being, followed by contributing to a socially responsible image. The respondent companies seemed to back up their words by deeds. As previously noted and indicated in Table 1, collective charitable organizations that tend to contribute to community well being such as the United Way and local charitable organizations, were among the most frequent recipients of corporate donations (78.4% and 68.2%, respectively).

Donation Recognition. For those companies that indicated that public recognition was at least somewhat important in the decision to donate to a particular organization, their preference for different methods of recognition was obtained. As shown in Table 5, the most preferred recognition method was to have the company name published in a list of donors, followed by announcing the donation to appropriate audiences. Presumably, this public announcement helps create a positive public relations posture and contributes to a socially responsible image. Since minor donors value public recognition of donation the least of the donor groups (Table 4), it is of no surprise that they also indicated little preference for any particular method of recognition.

**TABLE 2**  
Factors Influencing Donation Budgets

<u>Factors</u>	Mean Importance Ratings			
	<u>Major Donors</u>	<u>Heavy Donors</u>	<u>Moderate Donors</u>	<u>Minor Donors</u>
Local Economic Conditions	2.79 (81)*	2.58 (40)	2.80 (71)	2.64 (64)
Industry Economics Conditions	2.60 (80)	2.48 (40)	2.61 (71)	2.36 (64)
Company's Expected Earnings in Current Year	1.73 (81)	1.56 (41)	1.55 (71)	1.59 (64)
Company's Earnings in Previous Year	2.30 (82)	2.53 (40)	2.30 (71)	2.56 (64)
Amount of Competitors' Donations <sup>1</sup>	4.25 (81)	4.35 (40)	4.46 (70)	4.77 (64)
Tax Deductibility of Donation <sup>2</sup>	2.92 (79)	2.95 (40)	2.55 (71)	3.13 (64)
Amount Requested by Soliciting Organizations	2.85 (81)	2.95 (39)	3.16 (71)	2.89 (64)

Note: Importance was measured on a scale from 1 to 5 with 1 being Extremely Important and 5 being Not At All Important.

\* Number in parenthesis gives the number of respondents. Number varies due to missing values.

<sup>1</sup> A statistically significant difference in the importance of the amount of competitors' donations exists between donor groups;  $F = 3.67, p = .01$ .

<sup>2</sup> A statistically significant difference in the importance of the tax deductibility of donations exists between donor groups;  $F = 2.28, p = .10$ .

Solicitation Methods. Companies differed in their preference for alternative solicitation methods used by organizations seeking donations as well as their perceived effectiveness of such methods. The most preferred solicitation method for the overall sample was direct mail followed by personal interviews, while telephone calls were clearly the least preferred method. No significant differences in response patterns were observed among various donor groups.

Somewhat surprisingly, however, was the finding that direct mail, while the most preferred solicitation method, was not viewed by respondents as being the most effective. They felt that the personal interview was the most effective method of solicitation. It is clear that while potential donors "prefer" the non-intrusiveness of mail solicitation,

they also realize that a face-to-face communication is more effective in persuading them to make a contribution.

#### **Donation Decision Process**

Unplanned Solicitation. Approximately 58% of companies reported responding favorably to unplanned solicitations made by prospective donation recipients. Among the factors that influenced whether an unplanned solicitation elicited a favorable response, the most important was the particular organization soliciting the donation, followed closely by the type of organization making the request. As presented in Table 6, of somewhat less importance was the amount requested by the organization.

**TABLE 3**  
Criteria Used in Decision to Donate to a Particular Organization

<u>Donation Criteria</u>	Mean Importance Ratings			
	<u>Major Donors</u>	<u>Heavy Donors</u>	<u>Moderate Donors</u>	<u>Minor Donors</u>
Amount of Donation Requested	2.60 (82)*	2.80 (41)	2.71 (72)	2.48 (63)
Expected Benefit to Your Organization <sup>1</sup>	2.73 (82)	2.97 (39)	2.90 (71)	3.31 (65)
Soliciting Organization is Well Known <sup>2</sup>	2.41 (82)	2.36 (41)	2.40 (72)	2.00 (65)
Soliciting Organization has a Good Reputation	1.60 (82)	1.39 (41)	1.66 (71)	1.51 (65)
Nature of Organization (e.g., health care, arts, education, etc.)	1.93 (82)	2.00 (41)	2.07 (72)	1.75 (65)
Soliciting Organization is National	4.01 (82)	4.00 (41)	4.01 (72)	3.89 (64)
Competitors Donate to the Soliciting Organization	4.27 (87)	4.35 (40)	4.49 (71)	4.49 (65)
Acquainted With Member of Soliciting Organization	3.21 (82)	3.05 (37)	2.90 (68)	3.31 (64)
Soliciting Organization's Goals are Congruent With Your Company Goals	2.34 (82)	2.28 (40)	2.44 (71)	2.75 (64)
Donated to Soliciting Organization Previously	2.88 (80)	2.73 (41)	2.71 (72)	2.86 (65)
Soliciting Organization is Local	2.45 (82)	2.38 (40)	2.42 (72)	2.29 (65)

Note: Importance was measured on a scale from 1 to 5 with 1 being Extremely Important and 5 being Not At All Important.

\* Number in parenthesis gives the number of respondents. Number varies due to missing values.

<sup>1</sup> A statistically significant difference in the importance of the expected benefit to the organization exists between donor groups;  $F = 2.50, p = .06$ .

<sup>2</sup> A statistically significant difference in the importance of the soliciting organization being well known was found between donor groups;  $F = 2.04, p = .10$ .

Respondents were also asked whether there was a maximum amount their company would donate that was not subject to a formal review process. Only 36% of the companies had a maximum amount of money they would donate that was not subject to a formal review process. When asked what that amount was, responses varied considerably, with the majority (51.6%) being less than \$100. However, almost 10% will donate over \$1000 without a formal review. Therefore, soliciting organizations may want to consider the use of "cold calls" as part of their sales strategy to solicit donations without having to

go through a formal and lengthy review process.

Group vs. Individual Decision. Respondents were asked whether donations decisions were made by an individual, a committee or both. Approximately fifty-five percent of companies left donation decisions up to an individual, 28.7% to a combination of committee and individual, 15.1% to committee, and less than 1% to a foundation. Of those companies that left donation decisions to an individual, the position of that individual in the company was typically the CEO or owner (81.9%).



**TABLE 4**  
Benefits Received in Return for Donating

<u>Benefits</u>	Mean Importance Ratings			
	Donor Level Categories			
	<u>Major Donors</u>	<u>Heavy Donors</u>	<u>Moderate Donors</u>	<u>Minor Donors</u>
Public Recognition of the Donation <sup>1</sup>	3.27 (81)*	3.39 (41)	2.90 (69)	3.40 (62)
Meets Corporate Donation Goal <sup>2</sup>	2.81 (80)	2.85 (41)	2.84 (69)	3.72 (61)
Good Public Relations <sup>3</sup>	2.55 (80)	2.49 (41)	2.26 (70)	2.76 (62)
Promotes Community Well Being	2.05 (80)	1.73 (41)	1.87 (69)	2.07 (61)
Contributes to a Socially Responsible Image <sup>4</sup>	2.37 (81)	2.41 (41)	2.11 (70)	2.76 (62)
Increases Long Run Profitability	3.30 (80)	3.62 (39)	3.35 (69)	3.56 (62)
Improves Recruiting Relationships	3.70 (81)	3.78 (40)	3.45 (69)	3.79 (61)
Maintenance of Working Relationship with Soliciting Organization	3.22 (80)	3.40 (40)	3.25 (68)	3.69 (62)

Note: Importance was measured on a scale from 1 to 5 with 1 being Extremely Important and 5 being Not At All Important.

- \* Number in parenthesis gives the number of respondents. Number varies due to missing values.
- <sup>1</sup> A statistically significant difference in the importance of public recognition exists between donor groups; F = 2.40, p = .07.
- <sup>2</sup> A statistically significant difference in the importance of meeting corporate donation goals exists between donor groups; F = 7.48, p = .001
- <sup>3</sup> A statistically significant difference in the importance of good public relations exists between donor groups; F = 2.39; p = .07
- <sup>4</sup> A statistically significant difference in the importance of contributing to a socially responsible image exists between donor groups; F = 3.56; p = .01

In the case of donation decisions being made by both individuals and committees, a number of factors were found to be used as criteria in deciding who had the authority to make the decision. As shown in Figure 1, influences included the size of donation or gift. Of less significance were the issues of whether the company had donated to the organization in the past, and whether the company had a business relationship with the prospective donor. When the decision was made by an individual, in 66.7% of the cases that person was the CEO and/or owner. In contrast, when a committee made the decision, the average number of people comprising the committee was 6.2, with 51.2% of reporting companies having committees of 3 or less. Committee composition typically consists of the CEO or Owner (67.4%) along with the Chief

Financial Officer (32.6%). Interestingly, only 17.4% of companies have their Human Resource Manager serve on such committees while 13.3% have Vice Presidents and 23.9% have other managers serve.

### SUMMARY AND CONCLUSIONS

The results of the study revealed that the most distinguishing factors related to the level of a corporate donation were sales revenue and the size of the firm in terms of number of employees. The study also showed that the most important criteria influencing the size of the donation budget is the company's expected earnings and previous year's earnings. This is consistent with the findings of Useem's study (1988), but with an interesting variation.

**TABLE 5**  
Preferences for Alternative Methods of Donation Recognition

<u>Method of Recognition</u>	Mean Preference Rating Donor Level Categories			
	<u>Major Donors</u>	<u>Heavy Donors</u>	<u>Moderate Donors</u>	<u>Minor Donors</u>
Plaque/Certificate	3.85 (72)*	3.65 (37)	3.48 (63)	3.66 (55)
Permanent Display of Donor Name	3.22 (71)	2.28 (36)	3.44 (63)	3.46 (56)
Preferential Treatment/Privileges	3.72 (72)	3.89 (37)	3.73 (62)	3.82 (55)
Premiums/Gifts	4.39 (72)	4.68 (37)	4.39 (62)	4.38 (55)
Name Published in List of Donors	2.75 (71)	2.74 (38)	2.55 (62)	3.13 (55)
Donation Announced in Appropriate Media	2.90 (71)	3.11 (37)	2.83 (63)	3.35 (55)
Donation Announced to Appropriate Audience <sup>1</sup>	2.71 (71)	2.92 (37)	2.71 (63)	3.36 (55)

Note: Preference was measured on a scale from 1 to 5 with 1 being Definitely Preferred and 5 being Not At All Preferred.

\* Number in parenthesis gives the number of respondents. Number varies due to missing values.

<sup>1</sup> A statistically significant difference in preference for the donation being announced to the appropriate audience exists between donor groups;  $F = 2.82, p = .04$ .

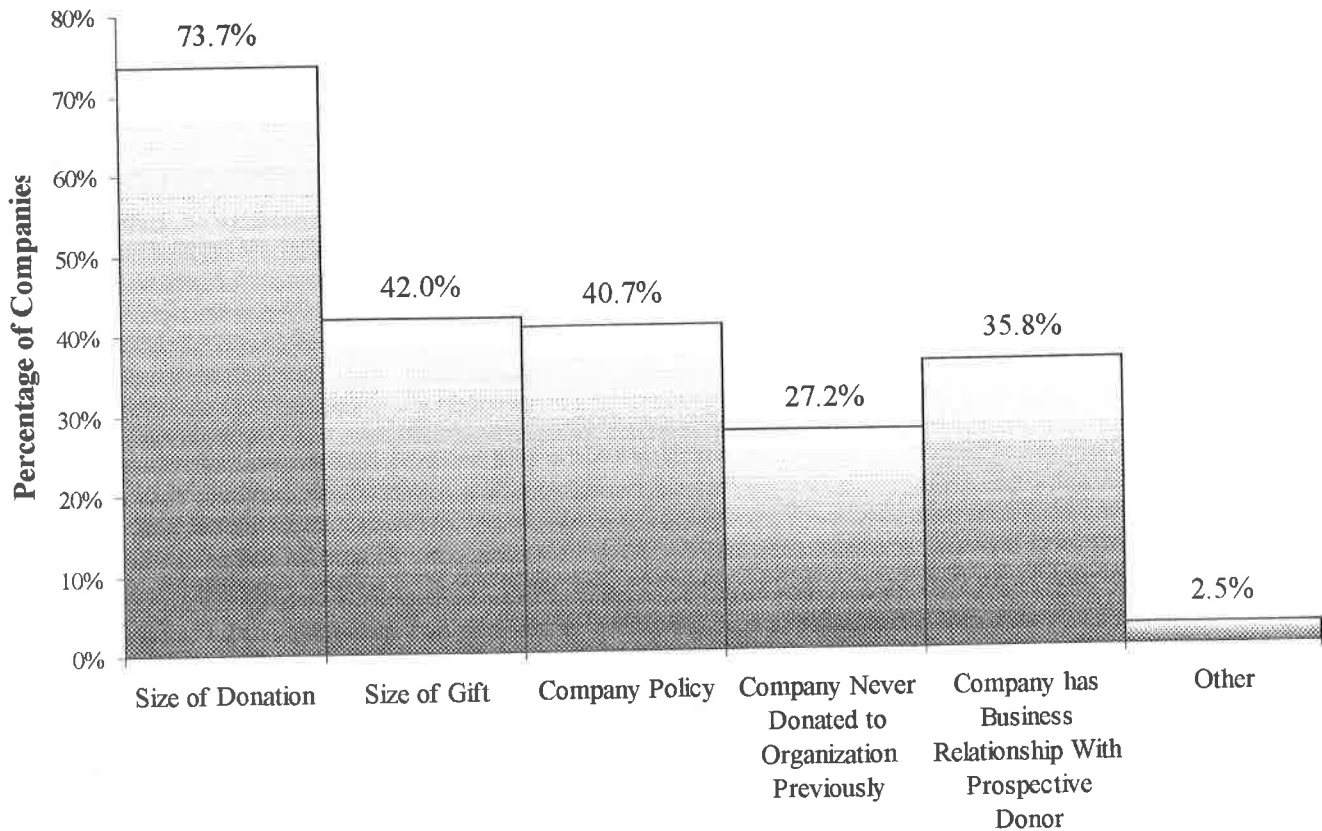
**TABLE 6**  
Factors Important in Response to Unplanned Solicitation

<u>Method of Recognition</u>	Mean Importance Ratings Donor Categories			
	<u>Major Donors</u>	<u>Heavy Donors</u>	<u>Moderate Donors</u>	<u>Minor Donors</u>
Amount Requested by Soliciting Organization	2.32 (38)*	2.42 (21)	2.08 (34)	2.22 (18)
Particular Organization Soliciting a Donation	1.47 (38)	1.43 (21)	1.53 (34)	1.44 (18)
Whether the Soliciting Organization was Funded in the Past	2.63 (38)	2.52 (21)	2.70 (33)	2.56 (18)
Type of Organization Making Solicitation	1.47 (38)	1.43 (21)	1.79 (34)	1.56 (18)
Whether Your Firm has a Business Relationship With the Soliciting Organization	2.84 (38)	3.14 (21)	2.94 (34)	3.06 (18)

Note: Importance was measured on a scale from 1 to 5 with 1 being Definitely Preferred and 5 being Not At All Preferred.

\* Number in parenthesis gives the number of respondents. Number varies due to missing values.

**FIGURE 1**  
Factors Influencing Whether Donation Decision



The Useem research found that expected earnings in the current year was a less influential factor than actual company earnings in the previous year. In contrast, the present study suggested that expected earnings are more influential.

With respect to the type of organization selected as a recipient of donor funds, the most important criteria were clearly the credibility and nature of the soliciting organization as well as whether or not it is local. This suggests that organizations seeking funds should not only try and attract donors in the local area but that the organization should monitor and evaluate its image within the community and, if necessary, take the appropriate action to improve its perceived credibility.

The lack of importance of both the expected benefit to the organization and having an acquaintance in the soliciting organization does not support the notion that reciprocity is a dominant

motive of corporate giving. It also seems to speak against the idea that business contributions are motivated by profit consideration as suggested by Fry, Keim and Meiners (1982), or that donor corporations may be unwilling to admit that contributions are based on "strategic-giving" policies. Although "expected benefits" was not a very important criterion used in donation decisions, for those who valued it, the most important benefits expected by the overall group of respondents were community well-being and good public relations.

Donors also had clear preferences with respect to donor recognition for their contributions. The most preferred method of recognition was publication of the donor name in a list of donors followed closely by a preference for having names permanently displayed and announced to appropriate audiences and media.

Regarding company response to unplanned solicitations, most donors clearly dislike telephone

solicitations for donations. While there is a definite preference for direct mail solicitations, there also appears to be a widely held perception that personal interviews are most effective in obtaining contributions. Furthermore, whether or not an organization responds favorably to an unexpected solicitation appears to depend primarily on the particular organization making the solicitation, the type of organization it is, and to a lesser extent the amount being requested. The least important factor in responding favorably to a solicitation was the donor having a business relationship with the soliciting organization, lending additional support to the notion that reciprocity does not appear to play an important role in corporate donation decisions. Rather, it suggests that donation decisions are more altruistic in nature than claimed by some researchers (Fry, Keim and Meiners 1982). Finally, the single most influential person in terms of making donation decisions within the company was the CEO/owner.

Even when a committee made the donation decision, the final authority often rested with an individual, typically the CEO/owner. These findings are consistent with that of Siegfried, McElroy and Biemot-Fawkes study (1983) that asserted that "in almost every case very-high level executives or the board of directors are directly involved." It should also be noted, however, that a considerable amount of money was donated without a formal review process.

Overall, the results of this study clearly advance the understanding of the business donation behavior and process. It is believed that a better understanding of how business make their contribution decisions will improve both the effectiveness and the efficiency of contribution solicitation. Consequently, one might modify the earlier quote "seek and you shall find" by adding "ask (properly) and thou shall receive."

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# A COMPARISON OF MALE AND FEMALE ROLES PORTRAYED IN PRINT ADVERTISING BETWEEN FRANCE AND THE U.S.

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## ABSTRACT

*This study compares the roles of men and women in print advertising in mainstream magazines from the US and France. The purpose is to determine if the roles men and women portray in the magazines differ between the two countries.*

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### GENERAL BACKGROUND

Society has caused the general public to perceive men and women differently. Likewise, advertisements that portray roles of women and men often reflect these differences. As the changing role of women in society has progressed, advertisers have been challenged how to portray women in Advertisements. Advertisement using sex is now used to sell a wide range of items from beer to bowling balls. Partially clothed models seem to be selling products, but the question raised is to whom do the ads attract? According to a study done by Frisbie (1997, p. 42), "When a woman appears in an advertisement, the desirability of the product advertised to the ad will be enhanced if the woman is portrayed in a career or neutral (less traditional) role, rather than in a sex-object, family, or fashion-object (more traditional) role."

Studies have been carried out on how to perceive these advertisements. Several have argued that sex roles in advertisements do not reflect reality and often find these advertisements sexist and tasteless. Traditionally, women have been portrayed as simple-minded, non-career oriented, and male dependent. They are usually seen in a scene that includes a house and children. The danger in these limited portrayals is that advertisers may shape society's attitude towards men and women, with women suffering from the incomplete categorization. However, in the U.S. the roles of males and females have changed in advertising. In the decade of the nineties, women, for example, have been portrayed in a much more professional role than in previous decades (Randall and Wong 1998).

For example, past studies showed that women seldom played the "working role," instead they played the roles of low-level management. More recent studies have shown a great improvement in women's roles in advertising. Women are increasingly being portrayed by automakers as the drivers in automobile ads. Pontiac's commercial for its Bonneville portrays a woman daydreaming about an attractive man sitting beside her and Volkswagen's ad for its Passat portrays a women executive behind the wheel. J.D. Power and Associates reported that women comprise half of all basic car drivers and almost a third of all luxury car drivers (Kurtz 1997).

Women's roles in advertising are changing due to the fact that women make more purchases than men. Today's advertisers are now realizing that it is offensive to women to portray them as the traditional housewife stereotype. Some advertisers are slow to change their ads. They believe their ads are not using stereotype women's roles, but implementing the best possible means to sell their product ("Celebrating 100 years of women in advertising" 1995). The purpose of this study is to compare differences between France and the United States in the way the sexes are viewed in print advertisements.

### FRANCE

Although a victor of the World War II, France lost many men, much wealth, its extensive empire, and its rank as a dominant nation state. France has struggled since 1958 - arguably with success - to construct a presidential democracy resistant to severe instabilities inherent in the parliamentary democracy of early 20<sup>th</sup> century France. In recent years, its reconciliation and cooperation with Germany have proven central to the

economic integration of Europe, including the advent of the Euro in January 1999 (French Embassy in UK 1999).

One of the four West European, trillion-dollar economies, France matches a growing services sector with a diversified industrial base and substantial agricultural resources. The country's assets are varied and include its transport and telecommunications sectors, agricultural-foodstuffs and pharmaceutical industries, along with banking, insurance, tourism and the traditional luxury products (leather goods, ready-to-wear fashion, perfumes, fine wines and spirits, etc.). Industry generates one quarter of GDP and more than 80% of export earnings. The government retains considerable influence over key segments of each sector, with majority ownership of railway, electricity, aircraft and telecommunication firms. It has been gradually relaxing its control over these sectors since the early 1990s. The government is slowly selling off its holdings in France Telecom, in Air France, and in the insurance, banking, and defense industries. Meanwhile, large tracts of fertile land, the application of modern technology, and subsidies have combined to make France the leading agricultural producer in Western Europe. A major exporter of wheat and dairy products, France is practically self-sufficient in agriculture. The economy expanded by 3% in 1998, following a 2.3% gain in 1997. Persistently high unemployment still poses a major problem for the government (CIA World Factbook 1999). The French society is characterized by an employment structure of 62.7% men and 47% women, a definite increase in the standard of living, number of marriages, and interest in protecting the environment. The population is 26 million (French Embassy in UK 1999).

In regard to advertising the French population is more interested in watching/reading the commercials than the Americans (Taylor, Hoy, and Haley 1996). According to a study conducted by Beatson (1984), the French are more critical, they

evaluate advertising from an aesthetic perspective. Due to their rich heritage in theatre and film, they are more interested in their country advertising; they view it more as a distraction than an intrusion (Boutie 1988). There is also the difference of perception and expectations: the Americans want the advertising to be informative, while French advertisements are focused on touching one sensibility.

## METHODOLOGY

Content analysis was used to compare print advertisements from United States magazines and France. The sample consisted of 145 advertisements from 1996 Time magazine in the U.S. and 200 print advertisements from 14 mainstream French Magazines. Only the advertisements containing men and/or women, with or without children were used. Advertisements that were very vague in the portrayal of the models and ads with children alone were not used. Frequencies and Chi Square were used for data analysis.

## RESULTS

In terms of the *location* of the ad the following results are found in Table 1. The percentages for home and recreational as location are very close for Time and French magazines. There is a big difference in the number of advertisements showing work location as in 15.9% for Time compared to only 6% for French magazines. Apparently for the French the work environment is not as useful in attracting the customer attention. There is also a big difference in "other" as a location, this time with a higher percentage for French magazines. Interesting is the fact that the "other" location is no particular place. It is a blur behind a model, or just a white background, many of the French ads being focused on the aesthetics of the model more so than telling a story.

**TABLE 1**  
Location of Advertisement

Location	Time	France
Home	18.6%	18%
Work	15.9%	6.0%
Recreational	27.6%	26.5%
Other	37.9%	49.5%

**TABLE 2**  
Models in Advertisement

Content	Time	France
Female alone	16.6%	52%
Female w/ female	1.4%	4.0%
Male alone	38.6%	23.0%
Male w/ male	9.7%	3.5%
Female w/ male	15.2%	11.5%
Female w/ child(ren)	4.1%	2.0%
Male w/child(ren)	9.7%	2.0%
Male and Female w/child(ren)	4.8%	2.0%

The *content* of the ads are shown in Table 2. There are very few children in the French advertisements, either with men, women or both, compared to advertisements in Time magazine. There are a significant higher number of women alone in French ads than in the American ones, and definitely less men alone in the French advertisements. The female(s) with female percentage is higher for France; the male with male percentage is higher for Time. Although the American advertisers might argue that women are still treated in France as sex objects, this is apparently what still sells there: beautiful women, alone in the ads, not necessarily in a certain setting.

The *dominant person* comparison is very simple, as shown in Table 3. The female domination for France is overwhelming: 61% compared to 22%. It's almost a shift for male dominance: 52.4% for Time, while equally dominant there is a significantly smaller percentage for the French magazines.

For *the role portrayed*, the non-working role is predominant in both the US and France. See Table 4. However, the non-working roles were 20 percent larger for French advertisements. It is interesting in how very few models are shown doing any type of work in French magazines: the emphasis is on decorative, recreational, or just casual role.

**TABLE 3**  
Dominant Person

Dominant	Time	France
Female	22.1%	61.5%
Male	52.4%	29.0%
Equally dominant	25.5%	9.5%

**TABLE 4**  
Role Portrayed

Role	Time	France
Working	24.1%	7.5%
Non-working	75.9%	92.5%

**TABLE 5**  
Working Role

Working Role	<i>Time</i>	<i>France</i>
High-level executive	8.6%	13.3%
Professional	17.1%	13.3%
Entertainers	22.9%	13.3%
Mid-level business	8.6%	
White collar	17.1%	40%
Blue collar	2.9%	13.3%
Soldiers		6.7%
Celebrity	20%	
Superwoman	2.9%	

There is no "superwoman" in the French ads or no celebrities shown in working situations, as shown in Table 5. The percentage of the white-collar workers is definitely higher than in *Time*, but the number of professionals and entertainers smaller. This has also something to do with the idea from the previous research about the difference in content. The French ads have more emotional, entertaining effect than informative.

The decorative role of the female in either sexual or fashion content has a definite position in French creativity. See Table 6. The non-working celebrities percentages are almost the same, more homemakers in France though, and more recreational and casual roles in *Time*. Again the non-working professionals are fewer in French print ads than in *Time*. This could be interpreted two ways: either

*time* magazine has a different reader target than the large selection of French magazines, or the French are not so much interested to see people working, or coming/ going to work.

When comparing the types of products advertised, there was also a significant difference at the 95% confidence level. The French and the Americans are very different in terms of interests. A huge percentage in beauty products advertised (23% compared to 0), a larger percent for clothing, home appliances, furniture, and travel favorable to the French. Both the US and French had advertisements in health, and telephone services. However, *Time* magazine had more ads for computers, entertainment, cars, books and mail services. Again an interesting and almost unexpected finding: 0 alcohol and cigarettes ads in the French magazines compared to

**TABLE 6**  
Non-Working Role

Non-working	<i>Time</i>	<i>France</i>
<i>Homemaker</i>	4.5%	11.4%
Recreational	35.1%	16.2%
Decorative(fashion)	6.3%	35.7%
Decorative(sexual)	2.7%	9.7%
Celebrity	7.2%	7.6%
Casual	29.7%	15.2%
Festive/party	1.8%	0.5%
Professional/non work	12.6%	3.8%



1.4% and 6.75% respectively in Time. Again these findings could help an American advertiser decide on the best approach for selling in France, but the difference in the sources for this study has to be taken in consideration. Because of the increasing number of elderly population in America it's clear that the Americans are trying to appeal to all the age groups, especially the middle age group. In contrast, the French are definitely using young adults in their ads, very few middle age and even fewer senior citizens.

The last category analyzed was the *dress of the model*. Casual dress was predominant for both countries, but in higher percentage for the French while the professional dress was more in Time ads. This is consistent with the previously found percentage of working, professionals and high-level executives. The formal wear is unexpectedly in lower number for the French, but "partially clad" and "nude" categories are higher for the French. Of course these are consistent to the role portrayed: many decorative fashion/sexual in French magazines.

## CONCLUSION

This study presents interesting differences between advertisements in the two countries and provides implications for American advertisers wanting to advertise in France or French advertisers wanting to advertise in the U.S. First of all, the most significant features of a French advertisement is: woman alone, white, young adult, expressing femininity, casual or even partially clad, selling beauty or house related products, in "other" as location. This sounds almost like a stereotype but this is what it came out of 200 different ads from a variety of French magazines. It is clear that the French advertising can be accused of stereotyping, not necessarily in a wrong way, but just creating a "model", very focused on the aesthetics. In American advertisements, the models are older; many times males with females, and females do not have as much of a decorative role in many advertisements.

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# DETERMINANTS TO EFFECTIVE ADVERTISING SLOGANS

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## ABSTRACT

Advertising slogans have been used to identify products and services, to create positive images, and to stimulate consumer recall. Slogans have been mentioned as the most powerful individual element in advertising (Noble 1970) and may affect market valuations of firms (Mathur and Mathur 1995), attitudes toward brand extension strategies (Boush 1993), memory recall (Pick, Sweeney, and Clay 1991), and brand awareness (Keiser 1975). Despite these findings, research on what constitutes effective advertising slogans is limited. The purpose of this study is to identify the determinants of effective slogans. By doing so, marketers may improve product positioning and avoid distorting marketing messages. Effective advertising slogans can elucidate marketing messages to the consumer, avoid product or brand confusion, and increase sales. Upon reviewing the marketing and social science literatures six determinants have been identified in predicting the effectiveness of advertising slogans: timing, name repetition, brand awareness, product association, reference to quality, and brand and/or product distinction.

Firms that expose slogans to potential consumers during initial advertisements may have an advantage over firms that do not. Brand salience, defined as the order in which brands come to mind (Miller and Berry 1998), may be increased by early introduction of advertising slogans. Early introduction of advertising slogans may help firms to establish brand awareness (Hall 2000), to reduce the possibility of duplicating slogans (Czurak 2000), and to position their products or brands (Lamons 1997). Thus, it is expected that early introduction of advertising slogans should increase memory recall and have a positive effect on consumers' attitudes.

Advertisers use repetition to impress the advertised name upon the consciousness of consumers and make them feel comfortable with the brand (Bogart 1986). Brand awareness is defined as the primary level of brand knowledge that involves recognition of brand name (Hoyer and Brown 1990). A number of studies tested memory recall of advertising slogans that include the name of the brand or firm (Larson and Wales 1970; Keiser 1975). It is expected that advertising slogans containing the name of the brand or firm will be more likely to enhance brand awareness, and brand awareness will have a positive effect on consumers' attitudes toward the advertising slogan.

Consumers interpret brands with implied-superiority claims to be better than competing brands (Snyder 1989). Positive images may be embedded in consumers' minds when words like best, ultimate, great, quality, and guaranteed are used in slogans. Meaningful brand names generally create greater brand awareness than less meaningful brand names (Kanungo and Dutta 1996). It is expected that consumers will respond more favorably to advertising slogans that make references to quality and superiority claims than those that do not.

The distinctiveness effect tests consumers' memory recall of individual items placed with a group of homogeneous items (Wallace 1965). Higher distinctiveness ratings usually translate into greater correct recall of slogans (Pick, Sweeney, and Clay 1991). There may be a positive relationship between the distinctiveness level of advertising slogans and consumers' attitudes. Product association is closely related to the distinctiveness effect. Consumers have higher memory recall on advertisements that combine visual and verbal images than verbal only images (Childers and Houston 1984). This could increase the association between products and advertising slogans and thus increase the memory recall of consumers.

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# BANNER ADS: DEAD OR JUST REINCARNATED?

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## ABSTRACT

*There are currently five main ways to advertise on the web: banner ads, direct e-mails, sponsorship, keyword, and link strategies such as micro-sites. Banners ads and e-mail have been touted a great deal in the media. This paper will examine banner ads, and their impact on online advertising.*

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## YEAR-IN-REVIEW

Banner ads appear to be the most prominent form of web advertising. They were the leading form of online advertising in 1999, with 53% in the fourth quarter, and 56% for the entire year. Sponsorships accounted for 27%, interstitials 4% and email 2% (Freeman 2000). According to another quarterly report by PricewaterhouseCoopers, banner advertisements continue to be predominate type of advertising, accounting for 52% for the first quarter, while other forms were substantially lower: sponsorships at 27%, interstitials at 3% and email at 3%.

A report published by Media Research for Ad Relevance, a division of Internet Advertising measurement service Media Metrix Inc., found banner ads ended for the year of 1999 around 55% - 60% of all online advertising (Ott 2000). Bill Furlong, CEO of Web ad network B2B Works, many Web publishers have or are adopting pricing standards based upon cost per thousand (CPM) ad impressions and other performance-based metrics, as well as using a variety of fee-based models. Most vertical b-to-b sites' ad rates today range anywhere from \$60 CPM to \$400 CPM. Hybrid deals accounted for 48%, with CPM's or impression-based deals at 42% and performance based deals at 10% for the quarter, (PricewaterhouseCoopers) reflecting the continuing strength of e-commerce.

## DEAD OR DYING?

Bill Furlong predicts that click-through rates will become irrelevant as banners become more interactive and are used more for branding (Otto 2000). He suggests CTR will be replaced by two methods: one is offline research, such as a focus group and the other is cost per acquisition (CPA),

which tallies several types of ad user interactions, such as Web site registration or a purchase.

"The ROI and click-through rate of banner advertising has been on the decline, -the rate in the US is less than one percent", says Eugene Lee, managing director of SurfGold.com (Galea 2000, p. 38). Banners (McLuhan 2000) and buttons account for over half of online advertising budgets, yet most surveys tend to put the 'click-through' rate from these devices at a microscopic 0.5%. However, these numbers measure the effectiveness of the "traditional" static banner. Emerging tools such as pop-up boxes and 'interstitials' - sound and video ads that appear when a site is loading - carry more information than banners. Thus, as technology continues to change and evolve, so will the form taken by banner ads and other forms of online advertising as well. As technology develops (McLuhan 2000), advertising options are likely to expand beyond the limits of microsites, banners, interstitials, and boxes.

## REINCARNATION

Despite negative press, banner ads have maintained their role in online advertising (Ott 2000). Laura Wonnacot (2000) contends that no other ad unit or program comes even close to the hold banner ads have on online spending (54%). However the preoccupation with click-through, CPM, impressions or cost per conversion miss the real problem with banner ad effectiveness. Banners, which are creative and innovative, are easily more effective than boring, and unexciting banners. The strength of the banner ad (Ott 2000) is embedded in the evolution of the banner, from static and boring, to a rich media, which allow the customer to interact. The increasing role of improved technology, which allows the use of audio, or video will only enhance the engagement of the evolving banner ad. According to Paul Entin (Galea

2000), the important distinction to remember is that the banner ad may be terrible but banner advertising is not. Effective and creative use of colors, graphics and words demonstrate higher click-through rates. The thing, which differentiates advertising on the Internet from TV, radio, and other media, is its active participation factor (Wannocot 2000).

### IMPLICATIONS

In a report released August 8, 2000 by the Internet Advertising Bureau, U.S. Internet ad spending reached \$1.95 billion in the first quarter of 2000, up 182% from a year ago (Internet Advertising

Bureau 2000). All indications are that banner ads will keep a tight hold on the largest portion of online advertising expenditures. Assuming this is the case, banner ads deserve further analysis and review. However, the way this media is measured, and effectiveness is determined will also have to be adjusted for new technology applications. How we analyze their effectiveness should be redirected to include the interactivity and engagement by online users. We should also examine how online advertising rates are measured and priced by those using banner ads. All indications point toward a restructuring of the pricing model, as well as the overall promotional effectiveness models.

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# CROSS-CULTURAL DIFFERENCES IN PREFERENCES FOR VISUAL INFORMATION IN TECHNICAL DOCUMENTATION

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## *ABSTRACT*

An important communication tool that impacts customers is the technological documentation that accompanies a purchased product. Whether in the form of an owner's manual, assembly instructions, operating instructions, or repair and maintenance information, this information can influence consumers' perceptions of the product. This technical information is often critical to the proper and safe use of the product. Technical documentation can make product usage easier and problem solving possible. Although cross-cultural research has examined differences in advertising communication, research examining cultural preferences in technical documentation is relatively unexplored. The little that has been conducted has been on the written technical communication, or verbal content. The visual elements that enhance and set the context for the written information have been relatively unexplored.

This study proposes using the cultural dimensions from the work of Geert Hofstede and Edward T. Hall to examine the impact of cultural differences on preferences for visual information in technical documentation.

Three critical aspects of visual information in technical communications that will be explored include: 1) the amount of visual information; 2) the way in which the visual information is organized; and 3) the location of the visual information on the page. This research posits cross-cultural differences in amount, organization, and location of visual information within the technical documentation is important in determining the usefulness and value of the documentation.

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# MARKETING RESEARCH AND UNDERSTANDING OF COMPARATIVE ADVANTAGE ARE IMPORTANT FACTORS FOR GLOBAL ENTRY

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## *ABSTRACT*

Marketing Research is part of a broader scope of marketing. Research is one of the prime tools enabling firms to implement the philosophical idea of the marketing concept. Organizations looking towards the world markets have to focus on marketing research. The prime managerial value of marketing research is that it reduces uncertainty by providing information that facilitates decision making about marketing strategies and the tactics used to achieve an organization's strategic goals in which international marketing becomes very important. For global entry identification and evaluation of opportunities is very important. Marketing research can help managers to recognize problems and identify opportunities. Analysis of market segments and selecting target markets can be achieved through marketing research. At managerial level marketing research takes other dimensions: domestic research and global research. Domestic research leads towards product, financing, logistics, packaging, and export incentives. Global research takes organizations in identifying different cultures, segments, buying patterns, market potential, and future development and growth. Organizations can reduce the chances of failure by conducting extensive marketing research before launching any international venture.

Understanding of comparative advantage is another important factor before entry into global market. Situation in which a country specializes in producing the goods it produces efficiently and buys the products it produces less efficiently from other countries, even if it could produce the goods more efficiently itself is comparative advantage. Many countries have the potential, capability, capacity and means to produce a particular product at home but they are better off by importing the same product. It may be costly to produce at home or the country may have technology to produce but lack raw material. Textile and electronics industries are the best examples where US has everything but still major portion of these products is imported from Asia and South America. American economy has comparative advantage in food products and industrial equipment. If medium and small sized businesses will understand the basic concept of comparative advantage, they can be competitive in world markets. American businesses have best export incentive for global entry. There is great need for marketing research and understanding of comparative advantage.

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# DES PRIX BAS TOUS LES JOURS; WATCHING THE GLOBAL RETAIL GIANT WAL-MART

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## ABSTRACT

We found the phrase first in the April 4, 2000 issue of the French business newspaper *La Tribune*. Here it is: Des prix bas tous les jours. Those six words constitute the French attempt to translate "every day low price" -- the worldwide motto of Wal-Mart! In Germany, by the way, it comes out as Jeden Tag Billigpreise.

Wal-Mart has brought us something new. They have taken spiritual advice and applied it to the secular world of creative and innovative retailing. Old established department stores, in a sometimes frantic effort to keep up with the times, have taken the following improper course as described in the Gospel of Saint Matthew: "Put new wine in old wineskins." But Wal-Mart has followed a more appropriate advice found in the same Biblical passage: "But they put new wine in new bottles." To squeeze into a short report a look at worldwide Wal-Mart today is like confining the history of the Roman Empire to six pages. Nevertheless, we shall try.

Early in 2000, Klaus Peter Krause, writing in *Frankfurter Allgemeine Zeitung*, related that we are experiencing "globalen Übernahmefieber," meaning rather loosely: "Global merger-acquisition fever." At that same moment, the head of Germany's retail chain known as Metro was quoted as saying: "Einen weiteren Firmenkauf von Wal-Mart müssen wir um jeden Preis verhindern," meaning: "We must prevent at any price the further buying up of companies by Wal-Mart." His warning has been ignored, for as early as late 1999, Germany's *Stern*, in a rather positive report, told its readers how things stood: "Der US-Handelsriese Wal-Mart will den Markt in Deutschland aufrollen. Verkaufen ist für die Mitarbeiter eine Mission, Arbeiten ein Privileg und Teamgeist Verpflichtung. Jeder Mitarbeiter trägt dieses Glaubensbekenntnis um den Hals, wie ein Missionar sein Kreuz," meaning: "The U.S. business giant Wal-Mart will grab up the German market. For the Associates, selling is a mission, work a privilege, and team spirit a duty. Each Associate wears this creed around his or her neck like a missionary wears a cross."

Across the sea in Argentina, we saw another Wal-Mart secret revealed: emphasize what is working, get rid of what is not! The April 18, 2000 issue of *La Nación* provided this information: "En el Paseo del Sol, en Bahía Blanca, Wal-Mart quiere vender parte de un shopping.... Primero cerró aquí los Sam's Club," meaning: "In [the towns of] Paseo del Sol and Bahía Blanca, Wal-Mart wants to sell part of a shopping center.... The first target would be the Sam's Clubs...." Huang Zhenhua, Chinese consular official in Chicago, further testified to this flexibility: "Wal-Mart has made some adaptations in China. Not everyone in China has a car to drive to a large store and Wal-Mart has had to alter its scheme a bit. Sometimes a Chinese will come to Wal-Mart in a taxi." Meanwhile, the world keeps an eye on Wal-Mart shares of stock. Saint Petersburg's Delovoi *Peterburg offered* this flash on March 6, 2000: "Fondovye indeksy vsego mira obnoveli maksimalni znacheniya.... aktsii....krunaishai torgovoi setti Wal-Mart," meaning: "Stock indexes all over the world saw new maximum values.... [an example is] the stock of the largest business chain Wal-Mart."

It was beyond the scope of this study to investigate how righteously Wal-Mart has conducted its business. However, Wal-Mart will enjoy the fate of the *righteous* as outlined in a Swedish Book of Psalms: "Den rättfärdige grönskar som ett palmträd, som en ceder på Libanon växer han till," meaning: "They shall flourish like the palm tree; they shall grow like a cedar in Lebanon."

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# GLOBALIZATION AND INFORMAL RETAILING IN LATIN AMERICA: WHAT IS THE RELATIONSHIP?

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## ABSTRACT

Globalization of business activities continues to receive the major emphasis of strategic planning, media coverage, and instructional weight. Despite this seemingly irreversible trend, many citizens in every nation are forced to survive in an economic setting characterized by transient market facilities, volatile product lines, and unreported revenues. *Informal retailing* exists, especially in developing economies, to provide employment along with other economic and social benefits. At the same time, economic and social costs in the form of reduced taxes and higher environmental concerns occur.

Despite ubiquitous globalization of consumer brands and retail stores, geographic, economic, cultural, and legal factors continue to facilitate traditional retailing experiences in Latin America. Informal markets (pushcarts, street vendors, open-air markets) are characterized by transient facilities, limited product lines, emphasis on perishable items, negotiated pricing (bargaining and barter), and untaxed revenues.

Unauthorized, or informal, businesses and retailers are prevalent throughout Latin America. These enterprises include pushcarts, temporary street stands, and peddlers on foot as well as unregistered offices, shops, and factories in homes and other locations. In Mexico, the number of street-vendor stalls is estimated at over 440,000. In Peru, an estimated 38 percent of GDP occurs in the informal market. Throughout Latin America, the informal economy represents between 40 percent and 60 percent of the economically active population

As an agriculturally-based economy evolves into an industrialized society, workers are attracted to urban areas. However, many of these migratory workers lack needed skills for this new economy. In addition, technology-based companies require fewer employees than labor-intensive farming or extracting enterprises. This results in many people being forced into the informal economy attempting to create and sell products wherever possible.

Informal retailing in Latin America will continue to be a significant economic factor in the region. Despite technology and global business activities, changes away from traditional distribution channels in most areas will be slow. Continued income dispersion will maintain informal retailing activities, especially among middle and low-income households. Cultural foundations will be maintained even as technology and global brands reach new market areas. The flow of goods, services, capital, labor, and ideas by multinational companies will influence the economic environment as well as the social fabric of these nations. Governments and other organizations should assess the importance of preserving the rich heritage and social traditions associated with their cultures and retailing enterprises.

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# SOME INTERNATIONAL MARKETING CONSEQUENCES AFTER THE EAST ASIAN CRISIS: IMF CONTRIBUTIONS TO THE DEBATE ABOUT REPOSITIONING A VENERABLE MULTILATERAL INSTITUTION

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## ABSTRACT

*The International Monetary Fund has actively participated in the post-1997 global dialogue to strengthen the international financial system. One result is a repositioning of that venerable institution so that it continues to play an its important role in assisting and assuring economic prosperity among its member nations.*

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“...The IMF is a perennially self-reforming institution...” (Michel Camdessus, address to the Council of Foreign Relations, on February 1, 2000)

“...The discussion (at the international conference on June 1999) revealed a measure of humility among the [international economists and other] participants and a general recognition that the questions raised were more difficult and the answers less obvious than most of us had thought not too long ago...” (A summary by Jane S. Little and Giovanni P. Olivei in their December 1999 proceedings of the “Rethinking the International Monetary System” conference held at the Boston Federal Reserve Bank, p. 29)

## INTRODUCTION

The 1997-2000 period has not been kind to the International Monetary Fund (IMF), one of the venerable multilateral institutions of the post-World War II era. Soon after Thailand's economic difficulties of mid-1997 had spread into a generalized East Asian downturn in business activity -- followed by a “contagion” affecting much of Latin America and parts of eastern/central Europe in 1998-99 -- there were few governments, private investors, economic gurus, or non-governmental organizations (NGOs) who could not find fault with the IMF's apparent inability to prevent a serious international crisis. Many among this formidable coalition of international participants would also be quick to prescribe cures for the IMF. The IMF also acknowledged its shortcomings relatively early in this period of turmoil. IMF Managing Director

Michel Camdessus conceded that a redesign of the architecture of the international financial system would have to include the IMF in order to prevent future contagion and to lessen the adversity for developing countries (LDCs) while not inhibiting international trade and investment opportunities in those countries whose fundamentals were satisfactory.

This paper focuses upon several key IMF's contributions to the now three-year spirited discussions by international participants who would seek to create a safer global financial system. The paper concludes that the steady output of ideas and proposals for change from the IMF is creating two points of interest to international marketers: the IMF has not been weakened but is, in fact, repositioned; and this repositioned IMF retains a major role to play in supporting international trade flows (e.g., IMF 2000b; OECD 2000).

## THE IMF IN THE LITERATURE

The IMF, created at Bretton Woods, New Hampshire, in 1944, has long published a comprehensive annual report (e.g., IMF 2000a, p. inside back cover) overseen by its now 182 member countries. Goals of the institution come from its Article I -- reproduced in annual reports -- and remain a benchmark over the last five and a half decades:

...(i) to promote international monetary cooperation through a permanent institution...(ii) to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy; (iii) to promote exchange rate stability...(iv) to assist in the establishment of a multilateral system of payments...(v) to give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards...(vi) to shorten the duration and lessen the degree of disequilibrium in the international balance of payments of members...

The management of the IMF is instrumental in meeting those goals as well as generating inputs for the international literature. That is, IMF governance consists of the IMF Board of Governors (one Governor appointed by each of the 182 member countries); the Executive Board or permanent decision-making body (i.e., Executive Directors appointed or elected by each of the 24 members/group of members); the Interim Committee (established in 1974 but renamed International Monetary and Financial Committee (IMFC) in September 1999) of 24 Governors who meet twice annually to evaluate and to report to the Board of Governors about the international system; the Development Committee of 24 IMF/World Bank (IBRD) Governors who also meet twice a year to report to IMF and IBRD Boards about LDC issues; and the IMF Managing Director (chairman of the Executive Board and head of the IMF staff).

The usage of various programs and discussion of policies by IMF management to meet Article I objectives are: summarized in each IMF annual report; publicized in frequent speeches by IMF management; spelled out in IMF borrower press releases, in the bi-monthly *IMF Survey*, and in the quarterly *Finance & Development*; and assessed in a diversity of occasional papers (e.g., Abed, et al. 1998), working papers (e.g., Haque and Khan 1998),

and special Policy Analysis and Assessment Reports (e.g., Cottarelli and Giannini 1998). Thus, international marketers can see exactly what financial assistance a member country is receiving and under what conditions, how much each country has drawn upon IMF resources, and how the IMF is responding to the 1997-2000 situation.

Assessment of the IMF and its operations has appeared in many other venues during the 1997-2000 period. For example, annual reports of the U.S. Council of Economic Advisers provide a U.S. Government perspective. The daily pages of the *Financial Times* have given economists, officials from indebted LDCs and creditor nations, private investors, multinational corporations, NGOs, other global multinational institutions, and IMF officers a chance to pour forth both criticism and ideas. Meetings of the G-7 prime ministers/heads of state and the G-7 finance ministers have reviewed the situation in regular communiqués since 1997, and there is an ongoing dialogue as the IMF's Interim Committee (IMFC) pushes ahead with details about implementation. Other important work comes from publications of academics and institutions, which follow global capital movements (e.g., Eichengreen 1999; Little and Olivei 1999).

Overall, the intensity of the literature has cooled somewhat by 2000 as contributors recognize that the IMF is just one part of a global monetary system, and that both that institution and other participants have enacted considerable changes. Perhaps it is time to note that the IMF, like other organizations, has had to undergo a repositioning to survive amidst the changing international environment.

#### IMF REPOSITIONING IN PERSPECTIVE

Kotler and Andreasen (1991) define positioning of nonprofits and public sector institutions as the act of designing the organization's image and value offer so that customers or constituents understand and appreciate what that organization stands for in relation to competitors. Lovelock and Weinberg (1984) note how fundamental changes in an external environment can induce managers of nonprofits -- like those in the for-profit sector -- to reposition, thereby permitting the institution to capitalize on changes and to improve position. But repositioning should be tested, evaluated against the target market, examined

to assure that the institution can deliver, analyzed for longevity, and be compatible with stakeholder views.

The IMF encountered many changes in the global environment in the decades after its creation, and the institution's adaptation to the 1971-73 breakdown of the post-war, fixed exchange-rate system was well-documented in annual reports. However, as Holden (1996) demonstrates, an important repositioning of the IMF was also undertaken during 1986-95, when that multilateral institution introduced a series of new products designed to resolve such difficult global issues as overcoming the post-1982 LDC debt crisis, providing augmented resources for LDC growth, easing the transition to free markets for new central/eastern European members, and being able to mount a coordinated emergency package in 1994-5 for a single big debtor (Mexico). That repositioning -- essentially devising a variety of medium- and long-term lending policies that would require structural readjustment by borrowers -- was promoted internationally so that all stakeholders became aware of what the IMF could do and what borrowers were expected to do.

However, when the Interim Committee of the IMF elected to approve the "Declaration on Partnership for Sustainable Global Growth" on September 29, 1996, it was clear that good governance and anti-corruption needs for IMF members would henceforth be part of the mandate for an IMF soon to face a new (East Asian) crisis. That Declaration in effect signaled the intention of the IMF to reposition itself with products/programs that would include important new conditions upon borrowers: to make fiscal policy transparent by persevering with efforts to reduce off-budget transactions and quasi-fiscal deficits; to improve quality and composition of fiscal adjustment by reducing unproductive spending; to ensure the soundness of banking systems by *inter alia* assuring strong regulation, stringent capital requirements, and action against money laundering; and to promote good governance in all aspects by prompting rule of law, reduction in corruption, and efficiency and accountability in public sector expenditure.

#### **IMF CONTRIBUTIONS IN THE GLOBAL DEBATE OF 1997-2000**

Michel Camdessus in his role as Managing Director (until February 2000) would assume a high

profile in the global debate, which followed the recognition of how close East Asia had come to precipitating an international financial breakdown. His contributions fall into five major categories (Mathieson and Schinasi 2000). First, existing IMF support packages, put together for the major crisis countries of East Asia, Latin America, and east/central Europe, had to be managed. This meant a record direct IMF commitment of financial resources, with a fine-tuning of appropriate "conditionality." This task thereby involved a key role in determining how other official and private lines of credit would be put together and dispersed, with IMF outlays to major borrowers highlighted in annual reports.

Second, the Managing Director and key senior officers launched a public speaking program that would discuss the emerging crisis, reassure key participants, and propose medium-term solutions to the causes of the crisis. Here, the "redesigning of the financial architecture" became a key theme with its basic proposals. Five reform efforts would ultimately emerge: assure that timely reliable data is readily available ("transparency") about members; encourage members to adhere to internationally recognized standards and codes; strengthen the financial sector in both creditor and LDC nations; increase the involvement of the private sector in preventing and resolving crises; and create contingent credit lines to prevent contagion ("Strengthening International Financial System ..." 2000).

Third, the IMF staff researched each of these topics in detail. That research enabled key officers to narrow the discussion of the "architectural" debate to the feasible range (politically and economically). A key element of this task was an outpouring of IMF working papers, directed in part at the plethora of economists around the world who led the way in proposing changes to the international monetary system. The IMF realized that international commerce and marketing would be adversely affected by proposals that involved "sink or swim" alternatives.

Fourth, the IMF facilitated the actual redesign of the international system by hosting its regular Fall annual meetings, its Spring meetings of finance ministers, and special meetings of its key members. Moreover, the increasing conjunction of consensus about LDC poverty amidst international financial turmoil meant that IMF and World Bank

objectives would be fused and guidelines drawn up about defining IMF and World Bank competencies. No longer would the IMF be expected to set the pace of rescuing financially-stricken countries and to prescribe monetary and long-term restructuring guidelines or funds for that purpose; this division of responsibility has become fully clear under the new Managing Director, Horst Koehler (e.g., "Koehler, Wolfensohn Issue Joint Statement..." 2000).

Fifth, the IMF would fine-tune its lending programs to accommodate the external pressure to integrate LDC poverty reduction and growth. Specifically, it replaced the Enhanced Structural Adjustment Facility with a new Poverty Reduction and Growth Facility (PRGF), and it would increasingly co-share responsibility for assuring financing with the World Bank, as it does with the Heavily Indebted Poor Countries (HIPC) initiative.

#### **SOME IMPLICATIONS FOR U.S. INTERNATIONAL MARKETERS**

The full implications and lessons of the IMF effecting its newest repositioning would be an interesting topic for future research. However, this brief paper highlights five important implications of the IMF repositioning for international marketers. First, the IMF was an active player in terms of responding with direct assistance to well-managed major nations caught in the 1997-9 financial trap. Korea, Thailand, Brazil, and other important global markets have recovered from their financial emergencies (e.g. Burton 2000; IMF 2000b) and are once again buying U.S. products (*Survey of Current Business* 2000).

Second, IMF efforts to enhance transparency and to improve governance in all member country promises a more substantial recovery in markets committed to openness and economic growth. The willingness of the LDCs (who wish to be major players) to publish more information and to restructure and reform is to be welcomed, in large measure because these moves should lessen the chance of future uncertainty.

Third, specific IMF programs remain in place for helping LDCs that are willing to enact advice from the IMF and IBRD. Some have received new loans under PRGF and debt relief under the HIPC effort, and so are more capable of purchasing foreign goods and services as they enjoy fewer external constraints.

Fourth, the private sector is not back to its record lending levels of the mid-1990s (e.g., World Bank 2000), but there is a recognition by all parties that emerging nations with a more transparent regime and reforms in place should find capital from abroad. Lending practices in financial centers are also being tightened so that international marketers could perhaps expect less "herd effect" in the future if a major LDC encounters difficulties. Finally, the IMF repositioning has not stopped some protesters from continuing to blame the IMF and other venerable multilateral institutions for much of the world's problems. Nonetheless, one could expect more confidence by the IMF in the future vis-à-vis its critics as more activity is targeted at LDC poverty alleviation. And its programs will continue to facilitate international commerce.

#### **CONCLUSION**

Overall, it is clear that venerable institutions like the IMF are bound to attract considerable attention in a world where massive private short-term capital movements (inflows and outflows) can rapidly transform the economic environment in LDCs around the globe. East Asia's vulnerability to outflows in 1997 caught all governments, private investors, multinational corporations, economic gurus, and multinational institutions by surprise, and the IMF was the quickest off the mark to step into the breach to try to stem the downturn. On the one hand, 1998-00 proposals to reform the architecture of the international financial system to prevent a repeat of East Asian and global contagion involve IMF products and policies that seek to boost living standards by attacking a borrowing nation's poor record of governance. But on the other hand, it is equally clear that these IMF activities can be regarded as an ongoing repositioning under way since about 1986, when the IMF undertook a series of new programs to facilitate economic recovery, high quality growth, and LDC integration within the global financial system.

As such, IMF's architectural needs for the new decade are likely to include more of a clear and well-publicized marketing orientation that describes its new programs and objectives and publicizes what its products can and cannot accomplish as well as highlighting the benefits of well-managed economies. There is clearly less of a need for a dramatic or far-reaching redesign of rules for international capital movements that hope to make

the IMF a lender of last resort, an umpire to penalize countries and investors who act recklessly, or, as

some wish, a minor participant unless global disaster threatens.

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# EVALUATING THE NONPROFIT WEB SITE: A CONCEPT PAPER

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## ABSTRACT

*Nonprofit organizations are quickly taking advantage of the Internet for promoting their message and for fundraising. The nonprofit agency without a high quality web site will fail to attract its customers, volunteers and donors. This paper will present a set of guidelines appropriate for judging web sites of nonprofit organizations.*

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## INTRODUCTION

You cannot pick up a newspaper or magazine without seeing some reference to e-business, e-marketing, e-commerce or the Internet. [Note: The language of the Internet economy is changing all the time. We hear of e-business or e-marketing or e-commerce, clicks and mortar, cyberspace. In this paper, we define the Internet economy as using the technology of the Internet to control and manipulate information (Mandel 1999) and e-business as commerce conducted in cyberspace (Stewart 1998)]. Companies are seeking new customers with the use of a web site. Magazines are solely dedicated to e-business. New companies are starting up only on the web. Over 100 million Americans use the web daily. By 2002 revenues across the Internet will top \$1.1 trillion. More than 70 percent of large companies will adopt the Web as a sales medium. Time and distance will cease to be a barrier between buyer and seller (Price 2001). Many governmental units have embraced the Internet and are putting a wide range of materials from publication and databases to actual government services online for citizen use (West 2000).

Nonprofit organizations are not far behind. They are quickly taking advantage of the Internet for promoting their message and for fundraising. Nationally based nonprofits, as well as, small community nonprofits are using the Internet to find the elusive donors and volunteers, to create and sustain a branding initiative, to influence government, or to sell products to consumers. In fact, companies are emerging to help nonprofits focus on fundraising, marketing, or programming on the Internet. (See [www.givenation.com](http://www.givenation.com) as an example of a company that help people make the connection between the causes they care about and the action they want to take, and also [www.fdncenter.org](http://www.fdncenter.org)

advertised as "your gateway to philanthropy on the World Wide Web.")

The heart of the success for any organization on the Internet is the design of the web site (Lynch and Horton 1999). Without a superior and high-quality web site, companies and organizations will fail to attract customers, keep customers, and develop relationships with those customers. Success in web design goes beyond technology and fashion (Lynch and Horton 1999). To be successful, a web site needs to communicate ideas clearly and effectively to readers.

Nonprofit organizations, like any organization and company, must seek to develop a quality site. The nonprofit organization without a superior and high-quality web site will fail to attract its first time "customers," return customers, and, hopefully, volunteers and donors.

In light of this, an examination of web sites and nonprofit organizations will reveal whether nonprofit organizations meet the qualifications of a quality web site. Are web sites of nonprofits important for the marketing of the organization? Are web sites of nonprofits essential to the success of the organization? Are web sites an integral part of the future of nonprofit organizations? In this paper, we will examine a number of guidelines for judging web sites. From these guidelines we will create a set of specifications, which we believe are appropriate for judging web sites of nonprofit organizations.

## GUIDELINES FOR JUDGING WEB SITES

"Surfing the Web," we discovered a number of guidelines for judging web sites. Mednet Media™ Monthly Newsletter, a newsletter devoted to assisting readers with the continued development and

promotion of a medical Web site, suggests five areas to be taken into consideration if the site is to be effective: site design, editorial content, site evolution, value added, and marketing. Site design includes the initial impression and graphics. Editorial content incorporates useful information. Site evolution refers to updates, adaptation to the needs of users, and navigation. Value added includes interaction and interest. Marketing encompasses traditional net marketing activities such as press releases, cross-promotion, URLs on packaging, and direct marketing, and on-line marketing, such as search engine registration, news group involvement, listserves, banner ads on other Web sites and link exchange (<http://www.mednetmedia.com/news>).

Alexander and Tate of the Wolfram Memorial Library at Widener University have developed a checklist for an Advocacy Web Page. Their criterion for evaluating a web page includes authority, accuracy, objectivity, currency, and coverage. Authority includes responsibility for the contents, legitimacy of the organization, and mission and goals of the organization. Accuracy includes sources for factual information and grammatical, spelling, and other typographical errors. Objectivity refers to the organization's biases and separation of advertising and information. Currency points to material being current. Coverage includes the completeness of topics addressed and support of arguments (<http://www2.widener.edu/Wolfram-Memorial-Library/advoc.htm>).

West in his research on Internet service delivery by state and federal governments, created an index for each web site based on twelve features centering on citizen contact material, services and information, and quality of access. These features included offering phone contact information, addresses, publications, databases, foreign language access, privacy policies, security policies, an index, disability access, services, email contact information, and search capabilities. He writes, "We focused on these dimensions because they are particularly important for citizen access to information and services and the equity of the access available to people with special needs" (West 2000).

Ohio State University Library encourages students to evaluate web sites by examining four areas: the purpose of the site, i.e., relevance to the student's purpose and primary purpose of the site; the author and publisher of the site, i.e., credibility, background, organization; the content of the site, i.e., its accuracy, bias, coverage, and currency; and the

recognitions of the site, i.e., links and reviews (<http://gateway.lib.ohio-state.edu/tutor/les1>).

The final set of guidelines is those used by the Society of National Association Publications in its SNAP EXCEL Awards. These awards are for excellence in association publishing. For electronic publications, Web Sites General Excellence involves overall web site design, editorial content, functionality and ease of use, imaginative graphics, special web-only content and correct links. Web Sites Editorial Content refers to whether information is complete, succinct, and logically organized and whether the writing is clear and concise. Web Sites Design Excellence judges best overall look/design (<http://www.snaponline.org/excel/call.html>).

## **GUIDELINES FOR JUDGING WEB SITES OF NONPROFIT ORGANIZATIONS**

Using the five examples of guidelines for judging web sites plus our knowledge and experience, we have developed the following set of guidelines for judging web sites of nonprofit organizations.

### **Purpose of the Site**

From first viewing, a successful web site's purpose should be apparent. There are several reasons why a nonprofit would choose to have a web site, including:

**Educating the Public on an Idea.** A web site serves to communicate with a local and/or global audience about timely and relevant issues of the nonprofit organization. Having an About Us section clearly defines the organization's mission and values. Advocacy pages are also a significant part of any web site that hopes to influence public opinion.

**Promoting Products.** Often, nonprofits are selling memberships, books and even clothing. A web site can help the membership and development departments by offering visitors a one-stop shop. Taking orders online requires having the technology to back it up and also having recourse for frustrated users who are uneasy with using a credit card online.

**Branding.** Technology should be an extension of a nonprofit's existing brand identity. A web site can supplement advertising, newsletters and magazines. The content, language and visual identity used on the web site should be consistent with what is already out in the marketplace.

## Site Design

**Graphics.** If used, graphics need to be clear, consistent and complement the text on the page. Pictures sometimes can convey what words cannot; however, a web site should not rely solely on graphics.

**Illustrations and Photography.** Pictorial representation is essential to creating a lively and engaging web site. Photographs should be chosen that reflect accurately the organization and are consistent with the organization's mission and goals.

**Branding.** The web site should clearly proclaim the nonprofit organization and its mission and/or symbol. This reminds the reader who the organization is and helps her/him recognize the organization the next time she/he sees the name or reads the mission or notices the symbol.

**Navigation.** A web site needs to be easily navigable for users and the site architecture needs to be planned around that need. One way to accomplish this is to have a primary navigation bar at the top of each page so that visitors can easily see where it is they want to go. Another tool is to create a series of "breadcrumbs" so those visitors can see exactly where they are on the site. Content should be organized into silos, such as About Us, Advocacy Pages, Online Store, Volunteers, etc. A site map is also essential to providing users with a good experience.

**Typography.** The font used throughout the web site needs to be consistent.

**Searchability.** Finding information on a web site can be challenging for visitors. In addition to clear site architecture, a search function in the web site adds value.

## Editorial Content

**Authority.** A web site should link to bios, resumes, or background if listing an author's name if no author

is given, remember that your organization is standing behind the content on the site. Make sure appropriate copyright information is given.

**Accuracy.** Statements or information given need to be supported by fact. Links to verifying web sites and statistics can help ensure that content is appropriately sourced.

**Currency.** Web sites need to be kept current. It is vital to a clear architectural structure to make changes and updates to content. Newsletters and position papers should be dated. The most current information needs to be on the home page. Archive material that is over a year old and do not keep material on the web site for more than three years.

**Coverage.** Web sites should provide complete coverage of the organization, its services and programs, and its mission, goals and objectives. It should include annual reports and its 990's. The site should illuminate collaborations and alliances.

**Writing Style.** The web site should be readable and should follow the standard writing style for webs. It should be concise and consistent. It should add links to other web sites where appropriate.

## FUTURE RESEARCH

These guidelines will provide us a basis for developing an index, i.e., a number, so that we can compare sites or correlate the effectiveness of the web site with the amount of donations received, number of volunteers, size of the organization, and number of readers registered. As the number of nonprofit organizations enter the Internet "world," the question is whether they do so just because everyone else is or whether they seriously see a need to be on the web and seriously design their web site to maximize their mission, goals and objectives? The index will help guide nonprofits into choosing the best format and approach for their web sites in order to maximize their returns.

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# A COMPARATIVE ANALYSIS OF BANKS IN SAN FRANCISCO, CALIFORNIA VERSUS MELBOURNE, AUSTRALIA

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## ABSTRACT

*This study uses surveys administered to residents of San Francisco, California and Melbourne, Australia concerning their perceptions of banks. The analysis indicates that there are some significant differences. This paper details survey results and presents implications for the marketing of banks in both cities.*

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## INTRODUCTION

There has been considerable research concerning the marketing of financial institutions. Many studies have focused on the United States. A study in Central Wisconsin examined the level of accuracy for automobile loans for all financial institutions and the implications for customer service (Meyers and Mullins 1998). Another study examined the growth rate of loan portfolios for banks compared to credit unions. They found that total credit union loan portfolios have grown more rapidly than commercial banks (Kaushik and Lopez 1994). An additional study found that higher levels of customer satisfaction with the bank's loan service increased customers' loyalty to the bank (Nader, Johnson, and Buhler 1995).

A number of studies have considered financial institutions outside the United States. One study found unfavorable financing and credit opportunities to be the most disappointing aspect of banking in Germany (Witkowski and Kellner 1996). Another study was conducted in New South Wales, Australia. It was determined that credit unions that had a greater involvement with technology had significant cost advantages (Crapp 1983). A different study found that consumers in Melbourne Australia had a more favorable impression of banks compared to credit unions (Meyers and Mullins 2000).

This paper extends out prior research by examining consumer perceptions of banks in Melbourne, Australia versus San Francisco, California. San Francisco is an appropriate city to compare with Melbourne for a variety of reasons. They are cosmopolitan, diverse, and coastal.

## SURVEY: METHODOLOGY

One of the authors surveyed consumers in Melbourne, Australia and San Francisco, California to determine the perceived level of customer satisfaction for banks. The respondents were asked to indicate their level of satisfaction for their bank on a scale of 1 to 5 (1 is poor and 5 is excellent). The survey (see Table 1) was organized to determine the split between the external features and the internal features of banks versus credit unions. External features include location, employee courtesy, employee knowledgeability, convenient hours, and general ease of doing business. Internal features include borrowing rates, certificate of deposit rates, variety of services, and service fees. The survey concludes by having respondents evaluate their overall impression of the bank they use. A convenience sample was used. The surveys were administered in different parts of Melbourne and San Francisco to assure a more representative sample.

The authors administered statistical tests on the data. Simple means and standard deviations were calculated. A test of the differences between population means for independent samples was conducted to examine whether there were significant differences in the means for the two groups.

## SURVEY: RESULTS

The research focuses on whether the means differed significantly between the respondents who have a bank account in San Francisco versus those who have a bank account in Melbourne. Table 2 lists the mean score for each variable, the z-score and the level of significance.

**TABLE 1**  
External and Internal Features Survey

1. Do you have an account at a bank? (checking, savings, certificate of deposit, car loan, mortgage, etc.)  
 yes  
 no (terminate)
2. On a scale of 1 to 5 please indicate the level of satisfaction for your bank. If you have accounts at more than one bank evaluate the bank where you do the majority of your business.

VARIABLE	POOR	FAIR	GOOD	VERY GOOD	EXCELLNT
Location	1	2	3	4	5
Courteous Employees	1	2	3	4	5
Knowledgeable employees	1	2	3	4	5
Ease of doing business	1	2	3	4	5
Convenient hours	1	2	3	4	5
Borrowing rates	1	2	3	4	5
Rates on certificate of deposit	1	2	3	4	5
Parking	1	2	3	4	5
Variety of services offered	1	2	3	4	5
Fees for services	1	2	3	4	5
Overall impression of bank	1	2	3	4	5

The means score for the San Francisco banks were higher than the scores for the Melbourne banks for each variable. The differences were not significant for the variables of courteous employees, knowledgeable employees, ease of doing business, and borrowing rates. The means were significantly

different at  $\alpha < 5\%$  for CD rates and for variety of services offered. The means were significantly different at  $\alpha < 1\%$  for location, parking, and overall impression of the bank. The means were significantly different at  $\alpha < .1\%$  for convenient hours and fees for services.

**TABLE 2**  
Banking Differences in San Francisco and Melbourne

Variable	Mean Score: San Francisco	Mean Score: Melbourne	z-score	Level of Significance
Location	3.90	3.36	3.76	1%
Courteous employees	3.39	3.30	0.72	Not Sig.
Knowledgeable employees	3.20	3.15	0.42	Not Sig.
Ease of doing business	3.25	2.99	1.94	Not Sig.
Convenient hours	3.34	2.73	4.35	0.1%
Borrowing rates	2.71	2.65	0.49	Not Sig.
Rates on CD's	2.50	2.23	2.09	5%
Parking	2.88	2.27	3.90	1%
Variety of services offered	3.48	3.15	2.77	5%
Fees for services	2.33	1.67	4.96	0 1%
Overall impression of bank	3.09	2.70	3.13	1%

The most unfavorable rating for both cities is for fees. The mean score was 1.67 for Melbourne and 2.33 for San Francisco. One reason perceptions might not be as low in San Francisco could be explained by the recent publicity of curbing fees on all automatic teller machines in San Francisco (Harwood 1999).

Survey respondents in Melbourne pointed out that four banks control the majority of the banking business. They are National Australian Bank, ANZ, Commonwealth Bank of Australia, and Westpac. Respondents were concerned that fees would increase because of rumors that there would be mergers among these four banks. These rumors appear to be unfounded because the Australian Prime Minister and Treasurer have reaffirmed their position that there will not be any mergers permitted among the four largest banks (Flint 1998).

Many of the respondents in Melbourne voiced complaints about the government taxes and charges. The government credit tax is applied to any credit made to an account, unless the account has been declared exempt by the government. A government debits tax is also applied to any debits made to an account that has a check processing facility.

### IMPLICATIONS

The banks in both cities are given relatively high marks for location. Many of the respondents indicated that they continue to use their bank because of the convenient and numerous locations. The automatic teller machines are a convenience valued by many of the respondents.

If banks focus their efforts on making improvements in the external factors such as courteous employees, knowledgeable employees, and ease of doing business, they may benefit by diverting

the consumers' attention from the fees. This would enable them to compete against other financial institutions on a non-price basis. Knowledgeable and courteous employees would improve their overall impression and would, perhaps, result in attracting more customers. Approximately seventeen percent of men and twenty percent of women rely on the advice of others before making a personal loan (Walker 1995).

The banks could improve their perception in the areas of knowledgeable and courteous employees by doing a more effective job of developing them. Employees who deal with the public should be viewed as salespeople who are selling the services of the bank to the public. Performance evaluations could be implemented in a manner that effectively measures and evaluates the employees' activities and performance. The immediate supervisor should be the primary evaluator because she/he has the most direct knowledge about sales performance. Performance evaluations should appraise the employees' past performance, develop plans to increase future performance, and motivate improvements in the future.

### SUMMARY

This study has examined consumer perceptions of banks in Melbourne, Australia compared to San Francisco, California. One of the authors conducted a convenience sample in both cities. The internal factors included borrowing rates, rates on certificate of deposit, variety of services, and fees. External factors included location, employee courtesy, employee knowledge, convenient hours, and general ease of doing business. A z-test was conducted to determine if there were significant differences between the mean responses for banking customers in both cities. The banks in San Francisco scored higher on each of the eleven variables.

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# RATE OF CHANGE DECISIONS FOR PRODUCT ATTRIBUTES: DECISIONS OVER TIME IN THE MULTIATTRIBUTE MODEL-PROSPECT THEORY FRAMEWORK

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## ABSTRACT

Particularly in collusive, monopolistic, or imperfect markets, sellers often have to make decisions on the rate of price and product attribute changes for a product. Prices can be raised as a single large increase, or as multiple smaller increases over time, leading to the same final price. The seller's decision here focuses on the rate of change of prices, rather than the absolute price level. In the same way, if we consider other product attributes, such as quality, manufacturers decide on the rate of quality improvement or attribute change. Manufacturers have to decide on the *degree* of difference between car models in successive years. Cars did not become curvaceous and streamlined overnight, the shapes were altered gradually. Similarly, computer manufacturers decide on the degree to which computer speeds should increase as successive models are introduced, or they decide when should models with a faster speed be introduced. Again, if product customization is considered, it too is seen to be a stage-wise process over time. Generally, companies initially start by offering to customize a product on one dimension, then over time their offerings expand to customizing an increasing number of dimensions or attributes, in their offerings.

The multi attribute model using prospect theory views attribute based buying decisions as outcomes based on an evaluation of gains and losses measured against reference levels used by the consumer. For instance a consumer evaluates the quality of a product against a reference level for quality, does a price evaluation against a reference price, a design or aesthetic evaluation as a comparison with design expectations, or a design reference level, and so on. The theory has been applied in a contemporaneous, static point of time framework to postulate that many small changes have a greater impact than a single equivalent change. Particularly in pricing, multiple discounts have been seen to have a greater impact than single dollar equivalent discounts. However, the theory has not been integrated into an intertemporal framework, a time context where the opposite also appears to be often true. Many small price changes can possibly pass under the just noticeable difference and their impact may be less than that of a single dollar-equivalent price change. The same is true for minor successive improvements in quality over time, or minor successive improvements in product functionality.

An intertemporal framework integrating the multi-attribute and prospect theory approach is required when reference levels are themselves changing over time. In such cases, consumer responses can be contrary to the direction of results we often encounter in a static context. The topic proposes an examination of the theoretical bases for some of the above aspects of decisions over time.

The author explores the above as a research area for the development of hypotheses and the evaluation of methodologies to study the issues indicated.

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# BACK TO THE FUTURE: RETAILING 2010 REVISITED

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## ABSTRACT

At the 1999 spring MMA Conference, we proposed a description of the state of the Internet in the year 2010. Students in a retailing class were asked to develop ideas concerning the future. During the past year, much turmoil has occurred at the .com companies. Many have folded (Guy 2000); other postponed their IPO's while others merged. Some, however, have thrived. In an attempt to explain this state of flux, students in another retailing class were given the same assignment concerning predicting the future. The advantages and disadvantages given in Tables 1 and 2 have not changed during the past year (Thistlethwaite and Bauerly 1999) for the consumers and online retailers. How can this drastic change in fortunes be explained? The authors propose that the Wheel of Retailing model (Brown 1995) is a useful model to help explain the growth of the Internet "click and mortar" retailers and the reaction from the "brick and mortar" retailers (Grant 2000).

Advantages	Disadvantages
Convenience Competitive prices Shop Bots (shopping agents, e. g. mySimon) Anytime availability No sales tax Vast selection Information abundance	Can't physically examine goods Returning goods problems Waiting time for delivery Cost of postage Information overload Security concerns Loss of privacy No human interaction

Advantages	Disadvantages
Worldwide marketplace reach Reduced labor costs Very low variable costs Instant information Database, Artificial intelligence	Intense competition Costly startup Fulfillment logistics Global legal issues Interaction problems

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# MARKETING ASSESSMENT: DEVELOPING A TOOL TO MEASURE MARKETING KNOWLEDGE ACQUISITION

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## ABSTRACT

*Many marketing programs are instituting assessment goals and criteria to measure whether they are developing students who will be "effective performers in the business world." This study proposes a measurement tool that may be useful in assessment programs that need to measure student knowledge and success.*

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## INTRODUCTION

Critical to the success of marketing organizations, is their ability to discover and retain employees with superior skills (Day and Wensley 1988). Consistent with this purpose, the goal to prepare students to be "effective performers in the business world" (Winer, L. 1999, p. 11) is a foreboding task that requires a great deal of vision (Fritz 1999). This commitment is not easy however (Miles 1998), as it requires the professor to continually search for and develop effective classroom methodologies that reflect changing needs in a dynamic environment.

Typically highly knowledgeable in content areas, marketing professors often lack formal training in educational strategies. However, despite the potential of such a limitation, evidence suggests marketing educators have a strong interest in improving classroom performance. For example, in addition to academic journals (e.g., *Journal of Marketing Education, Marketing Education Review*) and articles (e.g., Good and Swift 1996) devoted to embracing methods that enrich student learning, the trend in recent years remains on enriching student knowledge and skills (Miles 1998) utilizing a variety of techniques (Uhrig and Egglund 1992).

In this light, creating effective methodologies and strategies has become a focused goal of many marketing educators. Yet fostering confusion, dramatic changes are occurring within the business community that constantly challenge these efforts. For example, contemporary educators face questions as to how to teach effectively while replicating the business world, utilizing interactive

classrooms, adapting to technology, and shaping skill specific graduates. However at the core of these efforts, it remains difficult to construct effective teaching methodologies until more is known about the actual process of learning. As such, the first step in broadening the direction and teaching strategies within marketing depends upon a stronger understanding of the framework in which learning is built. For example, understanding qualities that explain the learning of marketing provides opportunities to include a wider range of teaching tools to the marketing professor. It is this specific need to broaden the understanding of what can be linked to learning marketing content that provides the purpose of this article.

## STUDY RATIONALE

The core of marketing organizations has always been demonstrated in part, by the ability to measure successes (Cole 1998). Not surprisingly marketing educators have interest in this as well (e.g., Seibert 1999), needing to link teaching efforts with some measure of what was learned. Of course marketing professors routinely utilize various testing procedures to determine what level of knowledge the student has reached (success). Still, despite the wide usage of common measurement systems, very little is known about creating a general philosophy of marketing education (Morris 1995) that can be universally applied to the learning process of marketing students.

In fact, despite the recent increased emphasis on marketing education and skills (Miles 1998), only a few studies have empirically assessed learning mechanisms, strategies, and processes



utilized by marketing professors (e.g., Miller, Chamberlain, and Seay 1991). Consequently, a lack of clarity exists with respect to understanding what ingredient(s) allow/encourage students to acquire marketing knowledge. That is, the question emerges in this environment as to whether there are variables that explain which students will absorb marketing knowledge.

If these variables do exist, isn't it possible, and indeed useful, to use them to craft specific teaching strategies within marketing classes? To address this issue, this article will initially examine the strategic nature of marketing education. That is, as there are strategic linkages in business, marketing educators also have these linkages that need to be considered as part of the educational process.

### **THE STRATEGIC NATURE OF MARKETING EDUCATION**

While successful firms frequently acquire employees who have a host of skills (McKee et al. 1992), it is particularly interesting to note that many organizations have failed to link strategic planning and skill development (McKee et al. 1992). In other words, business firms have frequently failed to develop a roadmap, where organizational long-term plans are meshed with the skill development of employees.

Similar to that which has occurred among businesses, marketing educators have also had trouble making this association. There is a need to link the skills of the individual (students) with the strategic long-term offerings of the university or college. For example, if the marketing department changes the thrust of the educational offerings, there is a need to determine to what degree introductory marketing knowledge is obtained (e.g., who is acquiring it, and who is not). In a more specific context, if marketing educators are able to understand what dimensions are linked to the acquisition of student knowledge, strategies can be crafted for enhancing, changing, or adjusting appropriate knowledge and methods of delivery. For instance, class strategies can be different (role-play vs. case study) for two offerings of the same class. Subsequently, one class methodology (e.g., role-playing) can be utilized over others if it is determined that its use positively impacts knowledge more than the other strategy. Thus key to the basic instruction of collegiate marketing, this investigation provides the professor directional input as to how he/she can structure class and related assignments, based on the

acquisition of knowledge by different student constituents.

Such a process can be important because this information provides a basis for enhancing both the knowledge taught, and the methods in which the information is delivered. Therefore, while this article will examine the association between knowledge acquired in marketing and a variety of available internal and external assessment tools, the underlying long-term advantage of this process is to enrich the teaching/learning process. A chief problem that exists among marketing educators however, is that marketing knowledge and skills is seldom seen as creating as being part of a strategic link. That is, if information that is learned can be explained through other dimensions or qualities, by understanding these qualities, it should be possible for the educator to see the instruction of marketing knowledge as being strategically associated with other internal and external inputs. As these inputs change, the knowledge of marketing students will also be expected to change. Hence, when carefully and purposefully managed, as these dimensions are indirectly or directly shifted, they will produce different marketing knowledge outcomes.

Accordingly, this article proposes that the marketing educator should visualize the educational offerings as a constellation of skills and knowledge. In this environment, a strategic decision process is crafted, from which the professor can select the most appropriate path of instruction. As a major limitation to this process however, it should be noted that marketing knowledge has become increasingly complex, creating general limitations to the teaching/learning processes.

### **INCREASING COMPLEXITY IN MARKETING EDUCATION**

Encouraged by the heightened complexity of new and existing information in an elaborate business environment (e.g., changing technologies), students are expected to be able to grasp and apply a variety of very diverse issues in contemporary business programs. For example, while professors might wholeheartedly understand linkages between consumer behavior and marketing strategy, typically students are less inclined to grasp in a meaningful way, the importance of such complex collusion. In this environment, as previously noted, a general lack of understanding exists about the knowledge acquired by students in most marketing programs. That is, how do we know students are able to learn these

“moving targets of knowledge” that continually become more complex?

In this environment, concern over what we should be teaching marketing students (Calder and Tybout 1999) will always exist, because while educators have not always been able to adapt (Price 1992) the “target” constantly changes. Hence while educators are constantly faced with the challenge of educating in a very dynamic environment, marketing professors need to be able to respond to an altered horizon with an altered vision. For instance, it is obvious that marketing students have changed dramatically over the last twenty years (e.g., motivations, interests, professional and personal intentions). Yet, as educators, we have done little to track these changes, with respect to examining what students learn, or how they learn. In this vein, it seems that by understanding the dimensions that make students successful in their basic understanding of marketing, the core knowledge of students can be ultimately be expanded. Consider therefore, what the basic charter of the marketing educator has become in recent years in a very dynamic environment. As educators are striving to produce a wider, more complex range of information about our students that can be translated into learning and teaching strategies, the teaching environment has become extremely complex. In addition to students changing, information, people, businesses, regulations, buyer and seller expectations and relationships, etc., all compose just one small aspect of a very complex environment that we expect students to acquire. Consistent with this position, Winer (1999) predicts, in this environment the demand on academics will be increasingly to produce “relevant” output. How can this goal be achieved unless marketing educators broaden our understanding of what enriches the learning experience.

### MEASURING OUTCOMES

Not new to marketing, successful organizations should be able to measure their successes (Cole 1998) in an environment where the skills of individuals are linked to the strategic plans (McKee et al. 1992). Hence, the question becomes, how do we assess our success in marketing education? Or put in another fashion, just as Prudential Insurance Company will be forced at some point to assess their 100 million dollar investment in placing laptop computers with their salespeople (Ostermiller 1999), marketing educators must begin to measure their progress. In this light, measuring what components of the student influence his/her ability to acquire knowledge is a critical first step.

For most practicing marketing educators, the confusion about what is taught (Calder and Tybout 1999) has become a critical question that must be reassessed on a systematic basis. Consider that many students are prepared annually for a career in marketing, yet indecision still exists as to how these individuals should be best prepared (Zwissler 1996). To assist in this goal, this article will explore the need for several dimensions as explanatory variables on marketing knowledge that students acquire in their course of study. Therefore, key to this issue, the creation and use of a Marketing Evaluative Measurement (MEM) assessment model will assist in this endeavor.

### DEVELOPING A MEM (MARKETING EVALUATIVE MEASUREMENT) SYSTEM

The need exists to have a methodology that will allow marketing educators to assess the degree to which various components or dimensions can be used to determine their impact on marketing knowledge. Not new to educators (Lincoln 1990), the focus of such an effort, is consistent with federal mandates (Department of Education 1988) that have called for a more thorough form of assessing learned materials. Yet, despite calls for a better understanding of what materials have been learned in marketing classes (e.g., Howard and Ryans 1993), very little has been explored in this area. More specifically, little has been written about assessment, or this process of measuring success or outcome levels within the marketing department or this subject area since early work by Miller, Chamberlain, and Seay (1991). Consequently, opportunities exist to explore these phenomena within this discipline broadly, as learning provides students value (Rotfeld 1997).

The evaluative tool development proposed in this study — the MEM (or Marketing Evaluative Measurement) System — will allow marketing departments to create their own similar, easy-to-use, in-house tool using currently available databases that will represent the acquisition and retention of marketing knowledge. Designed as part of an assessment process, the long-term purpose of this tool will provide educators an understanding of what variables are correlated with the acquisition of marketing knowledge. This correlation with other assessment measures will help validate the MEM as a useful assessment tool. The following section proposes a structure for developing a MEM.

## PROPOSED MEM STRUCTURE

The proposed MEM will be a summary statistic representing an assessment of a student's overall marketing knowledge that will be correlated with other measurement variables of content knowledge. For validity, it is important that these knowledge measurements/variables be derived from a variety of sources. For convenience, the variables should be currently available or easy to implement. It is proposed then, that at least one variable be external to the university, at least one variable be external to the school of business, and at least one variable be external to any single marketing instructor. Ideally, the MEM would represent the level of marketing knowledge near the student's graduation. Also, if the MEM could incorporate the retention of marketing knowledge, it would help represent the "added value" by the marketing curriculum. The following section is a recommendation of knowledge measurements/variables that should be correlated with any MEM developed.

### Variables That Should Be Correlated With the MEM

The first variable suggested is the externally derived and scored measurement of marketing knowledge. One such existing measurement is the score from the Major Field Area Test (MFAT). This external measurement was developed by Education Testing Service (1998), and is designed to test existing knowledge of graduating seniors in business. The test results provide a summary statistic that includes the results of testing on basic business knowledge (e.g., finance) as well as marketing. It is considered important to include an external measurement to the development of a MEM for reliability, validity, replicability, and generalizability of any results obtained. The MFAT has been used by over 500 colleges and universities (Education Testing Service 1998).

The next measurement recommended is a student's cumulative Grade Point Average (GPA), representing their overall university career. This variable is a measure internal to the university but mostly external to the student's major. This variable should be correlated with the MEM developed, as it helps validation since students would likely have similar success with major versus non-major course work. The variable assesses a student's total performance academically, and it provides a link between this knowledge (marketing) and other classes (e.g., accounting).

The next variable that should be included in the development of a MEM is a measurement developed from multiple faculty members. Since marketing plans are often used in marketing capstone courses, it is recommended that the marketing plan be scored or graded by other marketing faculty members as well as the course instructor. This composite score from the marketing plans would represent the student's ability to utilize and apply marketing knowledge from a variety of marketing classes (e.g., consumer behavior, international marketing). Therefore, this variable is mostly external to the instructor, while internal to the department.

The last variable suggested is the student's grade earned in the principles of marketing course. This helps incorporate a beginning (of their marketing major) into the MEM. It can also be examined separately if departments wish to measure a degree of value-adding. But this variable is also important because it is this course that is the foundation of general marketing knowledge.

### Construction of a MEM

The authors have suggested that the Marketing Evaluative Measurement should be correlated with the variables discussed above. But what tool can do that? It has been suggested that the MEM should be easily constructed from readily available data sources so that it can be quickly implemented with minimum resistance and have face validity with those charged with conducting the implementation.

It is suggested that the marketing evaluative measurement (MEM) be developed from the mean of two test scores. These tests should be identical 100-question comprehensive exams, and should be taken at different time periods. The first test should be given during the principles course (and could be used as a comprehensive final). The second test, using the same test questions, should be given near graduation, perhaps within a capstone class. This dual time period would build into the variable's score a dimension of knowledge retention.

What questions to ask on the two parts? It is suggested that the test bank of the principles course textbook be used since this becomes the students' base knowledge source. It is easier if only one book is being used, but it should not be difficult to develop a comprehensive test that uses topics common to the texts used. Besides the convenience of using existing materials for the MEM, it is easy to update the

questions to stay current with the ever-changing field of marketing. This variable should therefore represent general marketing knowledge accumulated--and retained--over the time span while the student was majoring in marketing.

### Testing the MEM

For the MEM to be considered a global assessment of marketing knowledge, the variables representing assessment methods listed above should be correlated with the overall marketing evaluative measurement (MEM) assessment variable. Therefore Pearson's Correlations should be run as a first step. Further analysis by multiple regression and/or MANOVA are recommended to examine the marginal values of the assessment variables with the MEM and to reduce covariance. After it is established that the MEM developed for your school is representative of the assessment variables, the MEM itself can then be used to address curriculum and outcomes-based assessment issues.

### SUMMARY AND IMPLICATIONS

Marketing educators today are challenged to demonstrate the acquisition and retention of knowledge by their students. Also expected is the application of that knowledge. Understanding the dimensions linked to this student knowledge would allow the crafting of strategies for enhancing, changing, or adjusting appropriate knowledge content and methods of delivery.

A goal of marketing education is to prepare students to be "effective performers in the business world" (Winer, L. 1999, p. 11) and increasing numbers of marketing programs are developing assessment programs to demonstrate that they are indeed graduating "effective performers." A common problem is that individual marketing departments are often left to invent their own specific tools to measure these goals, with little guidance from the university or the marketing literature.

The Marketing Evaluative Measurement (MEM) proposed in this paper was designed to assess what dimensions help explain the degree of marketing knowledge a student is able to demonstrate. Because the two components of the MEM are scored at different time periods, the MEM also incorporates the retention of marketing knowledge.

With this tool for understanding marketing knowledge development, we can look for alternate pedagogical methods for lower and higher learning situations. For instance, by understanding the conditions of learning, we may choose to increase the rigor of a class. Then, by using a MEM such as the one developed in this study, marketing departments can create, for their own use, a tool to measure the accumulation and retention of relevant marketing knowledge. The creation and consistent use of a departmental MEM will therefore provide measurable, goal-based assessment criteria of student success.

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# ASSESSMENT: WHAT ROLE DOES IT PLAY IN STUDENT PERFORMANCE?

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## *ABSTRACT*

Assessment has become a critical issue for educators in the last decade. Student comments would lead us to believe that assessment method is a critical factor affecting their performance. But is it? When given a choice, over 90 percent of students choose a multiple-choice exam rather than an essay or combination exam, despite the limitations associated with multiple-choice exams. As an indicator or benchmark of expected student performance across assessment methods, the correlation between multiple exams within one course across several semesters was calculated. The average correlation between exams was .40. This suggests that if different testing methods were assessing performance equally, at least a .40 correlation would be expected. This paper further examines several traditional assessment methods, including multiple-choice exams, essay exams, and active learning projects, in an attempt to better understand the impact assessment method has on performance and the relationship between different assessment methods.

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# AN OUTCOME-BASED PROMOTIONAL STRATEGY COURSE INCORPORATING SKILL BUILDING AND ACTIVE EXPERIENTIAL LEARNING TECHNIQUES

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## ABSTRACT

The environment in which we teach marketing has changed in the last decade. Students' learning styles have changed and other stakeholders, such as legislators, employers and the AACSB have become more demanding. Increased emphasis has been placed on incorporating skill building into the business school curriculum. The intent here is to outline a course that is designed to maximize student learning while also satisfying demands for accountability.

Business students prefer pedagogies that are active and concrete. Active learning requires students to become involved with the material by applying theory to real-life situations and experiential techniques call on students to work on activities in groups, thus focusing on interpersonal and communication skills.

This proposed course incorporates multiple learning techniques to facilitate student-learning objectives. Outcome-Based Education (OBE) advocates specifically stating goals and then creating teaching methods to reach those goals.

The promotional strategy course is the ideal course to immerse in experiential learning and OBE doctrines. The use of small groups has the added benefit of cooperative learning. Hopefully, the students will see the evolution from being a 'group' to working as a 'team'.

From the beginning, students should be informed explicitly of course objectives and expected outcomes. The skills to be developed in this course, as designed, include oral and written communication, creativity, problem solving, decision-making, use of technology, team building, quantitative, and interpersonal skills.

The format of the course includes lectures over course content, most of which will be pertinent for required assignments, small group and individual assignments of varying value, and examinations. Seven assignments are inserted throughout the semester. Successful completion of the different assignments requires mastery of course content and development of specified skills. The collection of assignments and their nature are carefully balanced and can be shown to accomplish course objectives.

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# THE INTERNET AS A TOOL FOR MARKET RESEARCH

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## ABSTRACT

Does the Internet provide researchers with the opportunity to simultaneously gather information "faster, better, and cheaper" or is it an extension of existing techniques? Literature concerning the Internet as a tool for market research is reviewed and avenues for future research are identified and proposed.

Surveying on the Internet. Despite the interactiveness of Internet surveys, the target sample group is prevented from holding, touching, or tasting a product. As a result, respondents evaluating products on the Internet are not as confident or comfortable with their evaluations as respondents who can see or touch the product in person. It has been found that E-mail and Web-Form surveys were faster and cheaper than mail or fax surveys. However, mail and fax surveys held an advantage in higher response rates (Weible and Wallace 1998) and E-mails were found to have a higher rate of inaccurate addresses. Therefore, the total cost associated with large indiscriminant Internet surveys may be comparable to that of other techniques. Targeting of specific population groups is advantage of Internet surveys. Research indicates that information obtained concerning Internet and newsgroup usage can access micro-market segments and niche targets better than traditional techniques. Therefore, Internet is more cost effective than traditional survey techniques for researching highly defined or difficult to access segments.

There is also the concern that Internet surveys are subject to self-selection bias by the respondents. Certain people participate in every survey possible and others ignore every opportunity to participate; then there are those who respond only to certain approaches. This suggests that telephone, mail, and Internet surveys experience self-selection bias but the self-selecting group will change by method of survey.

Bowers (1998/99) identifies three different methods for delivery of questionnaires. They are E-mail, HTML form, and downloadable "applications" all with differing ease of use and features. Due to the differences in "ease of use" different formats will experience different response rates.

Focus Groups. In addition to speed, on-line focus groups can have an interactive feature that is not possible with face-to-face surveys. Moderators have the ability to flash images to on-line focus groups allowing them to instantaneously comment on product variations (Nadile 1999). Despite this advantage, the moderators lose their biggest advantage: the ability to see participants (Nadile 1999). Moderators use non-verbal cues to direct face-to-face discussions (Greenbaum 2000). The inability of the moderator or observer to "read" peoples' body language or sense tonal inflections is the greatest disadvantage to on-line focus groups (Weissman 1998, Heckman 2000, Greenbaum 2000). Due to these limitations, on-line focus groups may be as effective as in-person focus groups for concept approval and not concept development.

Transcribing the results from on-line focus groups is also easier and faster than from face-to-face meetings. Traditional face-to-face focus group meetings need time for the transcripts to be prepared. The on-line dialog is automatically recorded and the transcription is available almost instantaneously. Qualitative research techniques such as those detailed by Strauss and Corbin (1998) can then be used to analyze transcripts. There appears to be less rambling of participants on-line and the responses are more concise and meaningful (Heckman 2000). As a result, information obtained from on-line focus groups can be processed and analyzed faster than traditional techniques.

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# THE IMPACT OF TOBACCO LITIGATION ON THE TOBACCO INDUSTRY AND THE MARKETING OF ITS PRODUCTS

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## ABSTRACT

*The Master Settlement Agreement (MSA) fundamentally changes how tobacco is marketed, advertised, and promoted in the U.S., while providing each state an opportunity to fund programs to help reduce the incidence of youth smoking. The impact of this litigation on the tobacco industry and marketing of tobacco products is the subject of this study.*

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## INTRODUCTION

The marketing of tobacco products faces some staggering statistical challenges. "Smoking is the most preventable cause of death in our society" (American Cancer Society Cancer Risk Report 1998), as it accounts for nearly one in every five deaths in the United States (American Cancer Society Facts and Figures 2000). Smoking is related to over 419,000 U.S. deaths each year, which is higher than death caused by alcohol, car, accidents, fires, suicides, homicides, drugs and AIDS combined. Smoking accounts for 29% of all cancer deaths, which 87% of lung cancers are caused by smoking and also associated with cancers of the mouth, pharynx, larynx, esophagus, pancreas, uterine cervix, kidney and bladder.

Lung cancer mortality rates are 23 times higher for male smokers and 13 times higher for female smokers compared to non-smokers (American Cancer Society Facts and Figures 1999). Smoking-related cancer deaths continue or are continuing to rise. Since 1987, more women have died each year from lung cancer than breast cancer, which for over 40 years was the major cause of cancer death in women. Approximately half of all continuing smokers die prematurely from smoking. Of these, about 50% die in Middle age (35-69), losing an average of 20 to 25 years of life expectancy. Smoking is also "a major cause of heart disease, and is associated with conditions ranging from colds and gastric ulcers to chronic bronchitis, emphysema, and cerebrovascular disease" (National Health Interview Survey 1998). An estimated 48

million adults (25 million men and 22.7 million women) are current smokers in the U.S. Tobacco costs to our society are best measured by the number of people who die or suffer illness because of its use (American Cancer Society Facts and Figures 2000).

Tobacco use also drains the U.S. economy of approximately more than \$100 billion in health care costs and lost productivity annually. Health care expenditures caused directly by smoking totaled \$50 billion, which forty-three percent of those costs were paid by government funds, including Medicare and Medicaid. Tobacco costs Medicare more than \$10 billion and Medicaid more than \$5 billion per year. Lost economic productivity caused by smoking cost the U.S. economy \$47.2 billion. Adjusted for inflation, the total economic cost of smoking is more than \$100 billion per year. This does not include costs associated with diseases caused by environmental tobacco smoke, burn care resulting from cigarette smoking-related fires, or perinatal care for low-birth weight infants of mothers who smoke (American Cancer Society Facts and Figures 2000).

Even though smokers die at a younger age than the average American, over the course of their lives, current and former smokers generate an estimated \$501 billion in excess health care costs. On average, each cigarette pack sold costs Americans more than \$3.90 in smoking-related expenses (McNatt 2000).

In 1992 the U.S. Environmental Protection Agency (EPA) declared that environmental tobacco

smoke (ETS), also called secondhand smoke, is a human carcinogen. Each year, about 3,000 nonsmoking adults die of lung cancer as a result of breathing the smoke of others' cigarette. ETS causes an estimated 35,000 to 40,000 deaths from heart diseases in people who are not current smokers, and can result in aggravated asthmatic conditions, impaired blood circulation, bronchitis and pneumonia (American Cancer Society Facts and Figures 2000).

Children exposed to second-hand smoke have increased risks of respiratory illnesses and infections, impaired development of lung function and middle ear infections ("Youth Risk Behavior Survey" 1998). On the other hand, smokeless tobacco is a phase that is widely used by the tobacco industry in its advertising and promotion. It implies that snuff and chewing tobacco are safe alternative to smoking. This is absolutely false. All tobacco products cause cancer and contain nicotine, a highly addictive drug. Smokeless tobacco also causes cancer of the mouth, pharynx esophagus and pancreas, and many other oral problems. Nearly 30,000 new cases of oral cancer are diagnosed each year in the U.S. By the same token, there is a growing false sense of security that cigar smoking is a safe. Yet most of the same disadvantages and cancer-producing chemicals found in cigarettes are found in cigars (American Cancer Society Facts and Figures 2000).

Given all of this negative information/data, it makes one wonder how the tobacco industry has continued to flourish since our forefathers stepped upon American soil? Clearly, the marketing of the addictive substance nicotine has been profoundly successful, albeit at the expense of the consumer. However, the past decade's intolerance to both passive smoke and the consequences of smoking has changed the perception of smoking and smokers to the extent that State and Congressional legislation has brought the tobacco industry (and its marketing machine) to a position of apology and the coerced responsibility of labeling their products as "dangerous to your health." Curiously, it has not caused the industry to lessen their marketing efforts, but it has encouraged them to find additional profitable targets such as the youth market and global customers (Haddad 2000).

Understanding the impact from this legislative action and how it challenges marketing efforts of tobacco industry products is the main purpose of this study.

## How Advertising Influences Minors

While adult smoking rates have declined steadily over the past decade, recent data show an alarming increase in smoking by teenagers. Teens and children purchase over half a billion packs of cigarettes and twenty-six million containers of smokeless tobacco products each year. Currently, there are over three million adolescents who smoke and over one million who use smokeless tobacco. Most of these young people will become addicted to tobacco, and approximately one third will eventually die from a tobacco-caused illness. Long-term health consequences of youth smoking are reinforced by the fact that most young people who smoke regularly continue to smoke throughout adulthood ("Youth Risk Behavior Survey" 1998; McNatt 2000).

## Marketing Tobacco-based Products

Tobacco has been one of the most heavily advertised products in America. The tobacco industry spends over \$5 billion annually in advertising and promotional activities according to the Federal Trade Commission (*Infact* 2001). The amount spent on advertising has greatly increased over the past two decades as the adult market has declined. Between 1970 and 1993, the year before federal law banned cigarette advertisements on TV and radio, cigarette advertising and promotional expenditures increased from \$361 million to \$6 billion, a 1,562 percent increase. During the same period, the portion of adult Americans who smoked dropped nearly in half from 41% to 23% (Economic Research Service 1999; Werner 2000).

## Tobacco Litigation

A concerted and well-organized litigious effort erupted in 1997. Many of the nations Attorneys General proposed lawsuits against the tobacco companies. That legislation was expected to mandate a total reformation and restructuring of how tobacco products are manufactured, marketed, and distributed in U.S. The nation can thereby see real and swift progress in preventing underage use of tobacco, addressing the adverse health effects of tobacco use and changing the corporate culture of the tobacco industry.

There are four basic goals in this litigation: first is to protect the children by stopping the marketing of tobacco to kids and reducing youth access to tobacco. Second, provide full disclosure to

the public about the health effects of tobacco products. Third, to protect consumers by reforming the business practices of tobacco companies. Fourth, provide relief to the states and individuals for their tobacco related health care costs.

On June 1997, after intense and contentious negotiations, the Attorneys General's negotiating team announced a preliminary Agreement with the tobacco industry. In the Agreement, the tobacco industry admitted for the first time that tobacco products are addictive and that tobacco use can and does kill. The industry agreed to submit to unprecedented regulation, severe restrictions on the manner and means of marketing and selling tobacco products, and the payment of monetary damages far in excess of any damages ever assessed against any industry for any conduct whatsoever ("Tobacco Settlement Reached" 1997).

Also of great importance, however, are the damages that the industry must pay to individual states for the costs of past deception and other illegal practices. The industry agreed to make annual payments in perpetuity that, in the first 25 years, will amount to more than \$368 billion, including a \$10 billion down payment to the states on the day the federal bill is signed into law. The largest block of these payments, more than \$190 billion, was to be paid directly to the states to compensate past and future damages and to fund programs relating to children's health care. The balance of payments were allocated to such matters as counter-advertising and education, nationwide cessation programs, enforcement of new state and federal regulations, as well as medical research ("Multi-State Settlement With Tobacco Industry 1998; "Phillip Morris U.S.A...." 2000).

Last year, November 12, 1999, tobacco companies entered into a comprehensive settlement with the Attorneys General of forty-six states and five territories. This Agreement fundamentally changes how tobacco is marketed, advertised, and promoted in the U.S., while providing each state an opportunity to fund programs to help reduce the incidence of youth smoking. Most of the changes the Agreement, including the removal of all billboard and transit advertising, have been implemented. Funds from last year's tobacco settlement will be released to states that have given final approval to the Agreement. These states are scheduled to receive their first settlement payments at any time. State legislatures across the country have been actively

debating how to best spend their funds. Master settlement agreement matter, major tobacco companies are actively supporting efforts to dedicate settlement funds to youth smoking prevention efforts. Major tobacco companies have taken this action seriously ("Philip Morris U.S.A. Notes...Agreement" 1999). Philip Morris for instead, has created a Youth Smoking Prevention department whose sole goal is to develop and support programs to help reduce the incidence of youth smoking. In 1999 and the year 2000, the company has voluntarily devoted more than \$100 million each year to a substantive and long-term effort that will combine communication, education, community action and access prevention initiative ("Tobacco Industry" 2000; "Tobacco Issues" 2000; "Tobacco Issues" 2001).

### **The Impact of Litigation on Tobacco Industry Marketing**

The domestic cigarette industry, which accounts for roughly 94% of U.S. tobacco product sales, is a virtual oligopoly. The three leading cigarette producers control approximately 89% of domestic sales: Philip Morris (with leading 49% of market share in 1998, according to S&P estimates), R.J. Reynolds tobacco company (24%), and Brown & Williamson (15.3%). Since 1983, Philip Morris has been the nation's largest tobacco company ("Tobacco Market News 2000).

Market conditions continue to decline for stocks in the U.S. tobacco industry. Cigarette commodities deteriorated by around 9% in the third quarter 1999, compared to the same period the previous year. Domestic tobacco manufacturers have raised prices by close to 30% over the past 12 months to offset increased litigation costs and higher taxes. However, declining usage is certainly not tobacco's largest concern at the moment. Although consumption on the basis of pounds has steadily declined for all tobacco products over the past decade, cigars have provided one area of growth in this highly mature industry. This is attributable in part to an upturn in luxury goods in general; total U.S. consumption of cigars gained 6% in 1998 to 3.7 billion units, according to the USDA.

Cigarette consumption continues to decrease. U.S. smokers consumed an estimated 435 billion cigarettes in 1999, 6.5 percent less than a year earlier. Price increases, higher state taxes, and expanding regulations are the main factors in

declining cigarette use. Consumption per person based on a population 18 years and older declined 7.5 percent. Consumption is expected to decline at a slower rate in 2000. Taxable removals in 1999 slipped to about 433 billion pieces. Exports dropped from 201 billion pieces in 1998 to 151 pieces, the lowest since 1974. Increases in cigar consumption slowed to an estimated 2 percent in 1999, reaching 3.7 billion cigars. Snuff consumption rose in 1999. Smoking tobacco sales are up due to increased roll-your-own cigarette consumption. Use of other tobacco products, mostly chewing tobacco, is expected to continue declining (Economic Research Service 1999; "Tobacco Market News" 2000).

The industry currently faces the most significant threat to its financial health with the ongoing lawsuit. Cigarette prices jumped in response to the settlement between the State Attorneys General and manufacturers. These cigarette price increases are expected to further diminish consumption. The state Attorneys General and cigarette manufacturers agreed to reimburse the state for the costs of treating smoking-related illness and to reduce underage smoking. Even though the settlement is spread out over several years, a large lump-sum judgment in this case has the potential to essentially eliminate the profitability of the entire domestic tobacco industry ("Multi-State Settlement...Industry" 1998). Philip Morris, the world's largest tobacco manufacturer with a domestic market share of around 50%, had net earnings of close to \$8 billion in 1999 (\$2.5 billion from domestic tobacco). Most tobacco stocks are not ranked favorably for price performance in the years ahead, and for good reason. The industry appears to be losing the litigation battle at the present time, particularly in the U.S. It is an indisputable fact that the stock prices of tobacco companies historically have been volatile and that the relative price per earnings (P/E) ratios of these companies have been adversely impacted by the threat of litigation, despite the fact that the industry has consistently prevailed in the courts.

Profits for tobacco companies should be modestly higher in coming quarters, but price increases, along with declines in cigarette consumption, should be expected due to anti-tobacco campaigns. Consumers are adjusting to the price increases, which should help to ease volume declines moving into this year. Volume declines also eased, as retailers built inventories in anticipation of an excise tax increase January 1, 2000. Companies with

international exposure may continue to be hurt by economic conditions in Russia and some Asian markets, although those markets are beginning to show signs of improvement (*The Economist* 1999).

Tobacco companies have projected that the impact of the litigation will create a definite change on the industry. The price of a pack of cigarette will rise by a minimum of \$1.50 over the next ten years as a result of the litigation. This projection reflects conservative assumption about adjustments in trade margins, sales taxes, as well as the inflation adjustment for the annual payment. By 2007 the industry projects the price of a pack of cigarette will have risen by \$1.52. Cigarette consumption will decline by up to 43 percent in the next decade. The industry projects that cigarette consumption will decline from 477 billion cigarettes in 1997 to 269.3 billion in 2007 ("Tobacco Market News" 2000). The industry has used a conservative assumption and believes the decline in consumption may be higher. Such volume declines will have a significant adverse impact on the entire cigarette supply chain. Industry pretax earnings will suffer even if unit margins rise to offset the higher burden of unit fixed costs in the face of declining sales volumes.

To compensate for inclement growth prospects at home, domestic cigarette companies have for many years looked abroad for growth. Their success over the years has been due to developing markets, high per-capita cigarette consumption, and a growing preference for American-style cigarettes, with their high flue-cured tobacco content (*The Economist* 1999). Philip Morris International (PMI), the largest producer for abroad market, estimates that world cigarette industry shipments by all manufacturers (excluding the U.S.) were approximately 5.2 trillion units. This would represent an average annual increase of about 1% in recent years. PMI shipped a total of 717 billion units outside the U.S. in 1998, and far more than its U.S. total of 228 billion units. The foreign market for American-style cigarette appears to provide the greatest growth potential for tobacco companies. This segment of international market has grown at a compound annual rate of more than 3% since 1990, and in 1998 it constituted approximately 33% of the international market. According to Department of Commerce, U.S. tobacco companies have made rapid expansions abroad in recent years.

However, last year, cigarette exports as a whole declined 26 percent to 116 billion pieces.

Calendar 1999 exports are likely to be about 150 billion pieces, nearly 100 billion below record 1996 shipments of 243 billion pieces. Since 1996, increased overseas production by U.S. cigarettes has reduced U.S. exports. Furthermore, cigarette consumption by some nations that are major buyers of U.S. manufacturers has declined. The cumulative effects of higher wholesale prices, on top of higher state taxes, restrictions on smoking, and increased awareness of links between smoking and disease continue to dampen demand for cigarettes. In the future, higher retail prices will be the major factor in declining consumption (*The Economist* 1999).

### Marketing and Advertising Limitations Due to the Litigation

Tobacco companies are committed to acting responsibly in marketing their products to adults who choose to smoke; they will no longer intentionally market or promote toward minors. Yet, it is difficult to make such a promise, as a campaign can simultaneously appeal to an underage smoker. However, the industry must now promise to be responsible in marketing a legal product and implementing all marketing programs in acquiescence with laws, rules, policies, and restrictions that govern their business practices ("Tobacco Issues" 2000; "Tobacco Issues" 2001).

There are significant legal restrictions on tobacco marketing throughout the U.S. Tobacco industry advertising and promotion cannot use celebrities or sport figures in cigarette brand advertising. All models used in cigarette brand advertising must be 25 years of age or older and must look their age. Cigarette brand advertising will not suggest that cigarette smoking is essential to social prominence, distinction, success or sexual attraction, or suggest that attractiveness or good health is due to cigarette smoking. Cigarette brand advertising does not appear in publications directed primarily to those 21 years of age, including college media.

The *Master Settlement Agreement* (MSA), signed November 23, 1998 ("Tobacco Settlement Reached" 1997) imposes a series of restrictions on advertising, marketing, and promotional activities of the participating cigarette manufacturers within the settling states ("Tobacco Issues" 2001). Some of these restrictions are subject to further exceptions or qualifications specified in the settlement. Targeting, MSA bars the manufacturers from targeting youth

(underage) and from using cartoons, including "Joe Camel," in their advertising, marketing, and promotional activities, packaging or labeling tobacco products and from taking any action the primary purpose of which is to influence youths to smoke. The MSA bars certain brand name event sponsorships and limits others.

The MSA limits each manufacturer to a single brand name sponsorship in any 12-month period, sponsorship of a single national or multi-state series or tour. The MSA required manufacturers to remove by April 22, 1999, outdoor advertising consisting of billboards, and signs and placards in arenas, stadiums, shopping malls and video game arcades. The manufacturers may not place any new outdoor advertising and the states may use any billboard space still leased by the manufacturers for advertising discouraging underage tobacco use until the lease expires. The MSA bars the manufacturers from outdoor signs larger than 14 square feet each on the property of retail outlets where tobacco products are sold, and from placing outward facing signs larger than 14 square feet each in the windows of such retail outlets.

The MSA restrains the manufacturers from paying for product placements in movies, television shows, or other performances to the public. The MSA prohibits the manufacturers from selling or distributing non-tobacco apparel and other merchandise bearing the brand name, logo, or trademark of a tobacco product. The MSA forbids manufacturers from entering into agreements to use certain non-tobacco brand names on tobacco products. The MSA also impedes the manufacturers from distributing free samples of tobacco products, except in adult-only facilities. The MSA requires the manufacturers to require proof of legal age as a condition of receiving any non-branded item in exchange for the purchase of tobacco products or the redemption of coupons or proofs of purchase. At last, the MSA bars the manufacturers from making cigarette packages containing fewer than 20 cigarettes ("Multi-State Settlement...Industry" 1998).

In another part of agreement, the MSA specifies eight types of state or local legislative or administrative proposals the passage of which the participating cigarette manufacturers may not oppose or cause to be opposed in settling states. This limitation applies to bills introduced or rules proposed after the settlement with the particular state

has become final. The eight types of legislative or administrative proposals include the following: 1) Limitation on youth access to vending machines, 2) Inclusion of cigars within the definition of tobacco products, 3) Enhanced efforts to identify and prosecute illegal sales to youth, 4) Increased use of technology to confirm legal age of purchasers, 5) Limitations on promotional programs for non-tobacco products using tobacco products as prizes or give-away, 6) Penalties on minors for possession or use of tobacco, 7) Limitations on tobacco advertising on school property, or wearing of tobacco branded merchandise on school property, 8) Limitations on non-tobacco products designed to look like tobacco products, such as bubble gum cigars and candy cigarettes.

### **Impact on Marketing and Advertising**

Tobacco companies have agreed to the full substance of the agreement, in addition they have agreed to the following actions:

- 1) Eliminate all billboards and outdoor signs including all signs in stadiums and arenas and signs in enclosed areas, such as stores that face outwards.
- 2) Remove all human images and cartoon characters from all advertising and from all cigarette packages.
- 3) Additional restrictions on point of purchase advertising regarding the placement on point of purchase ads to limit their size and number. Remove them from the line of sight of children and remove them from close proximity to candy and other goods likely to attract children.
- 4) Eliminate Internet advertising and the agreement on the use of whatever technology is available to make tobacco advertisements that are placed on the Internet from foreign countries inaccessible in the U.S.
- 5) Discourage on product placement in movies and on TV.
- 6) Prohibit any payments or fees to celebrities to smoke in movies or on TV or to any other person or entity to glamorize tobacco use in movies or on TV. In addition, prohibit any actions to accomplish any of these same purposes. Limit the use of words such as "lights" that currently appear in some product names that could be misinterpreted as health claims ("Philip Morris...Super

Bowl XXXIV" 2000; "Philip Morris...Agreement" 1999; "Tobacco Issues" 2000; "Tobacco Settlement Reached" 1997).

As a form of counter-advertising, public education is given in effort to reduce tobacco use. There will be a dramatic revision of the warning label system. The current system will include warnings such as "Cigarettes are Addictive", "Cigarette Cause Cancer", "Smoking Can Kill You", and "Tobacco Smoke Causes Fatal Lung Disease In Non-Smokers". The warnings will appear in the Canadian format and on packages will be moved to the front of the cigarette package, instead of on the side. The warnings will occupy at least 25 percent of the top of the front of the package. All warnings will appear simultaneously on tobacco packages and will be rotated quarterly on ads by brand ("Tobacco Settlement Reached" 1997).

In the past, tobacco companies were guided by marketing practices, advertising codes, and internal guidelines so that advertising and marketing were directed at primarily adults who choose to smoke. However in 1998, they addressed the issue of youth smoking through youth access prevention programs. They took steps to do much more by creating a program dedicated solely to helping to reduce the incidence of youth smoking. With a 1999 budget in excess \$100 million, the program is developing and supporting comprehensive, collaborative, and measurable approaches to accomplish their goal ("Company & Products 2001; "Philip Morris...Super Bowl XXXIV" 2000).

At the same time, development and implementation of prevention messages directed to both youth and parents through advertisements will be tailored for different ethnic groups. Advertisements currently on TV: Teen ads, "Think. Don't Smoke." Parenting ads, "Talk. They'll Listen." Hispanic teen ads, "Piensalo. No Fumes." Teen advertising strategy, to convince teens that smoking is not cool and they do not need to smoke to define themselves. Tobacco companies developed and implemented these smoking prevention advertisements directed at youth based on extensive primary and secondary research ("Company & Products" 2001).

In marketing its products, tobacco companies have stopped providing free samples of their cigarettes to consumers and have discontinued

the distribution of cigarettes to consumers through the mail. They have also added "Underage Sale Prohibited" notices, mostly printed on Philip Morris cigarette brands. The "We Card Program" educates and trains retailers to help prevent illegal sale of tobacco products to minors by offering free training seminars, in-store signage, and educational materials ("Multi-State Settlement...Industry" 1998).

### CONCLUSION

Today, some 50 million people in U.S. smoke and a predicted 22 percent of adult will still be smokers after year of 2000. In the latter half of the 20<sup>th</sup> century, some 10 million people have been killed by smoking-related disease. This year nearly half a million people will die prematurely due to disease cause by cigarette smoking. Based upon current trends, more than 5 percent million will be killed by cigarette disease during the 21<sup>st</sup> century.

As part of this settlement, tobacco companies recognize the historic changes that will be occurring to their business. It is obvious that this litigation has affected the tobacco industry and marketing of tobacco products. Tobacco companies must fully comply with increased federal regulation, focus intense efforts on dramatic reductions in youth access and youth tobacco usage, recognize that the regulatory scheme encourages the development of products with reduced risk and acknowledge the predominant public health positions associated with the use of tobacco products. Justified under the well-tested label "social marketing," the litigation

has resulted in a "forced marketing" strategy of obedience to insure survival of the tobacco industry.

The slightly narrower scope of that agreement reflects its more limited goals: reimbursing states for smoking-related health costs under Medicaid and ending the uncertainty of continuing lawsuits for cigarette manufacturers. Keys elements of the pact are: \$206 billion to be paid to states over 25 years, \$1.5 billion over 10 years to support anti-smoking measures plus \$250 million to fund research into reducing youth smoking, limitations on advertising, ban on cartoon characters in advertising, ban on branded merchandise, limitations on sporting event sponsorship, disbanding of tobacco trade organizations the settlement, combined with expenses from the four previous state settlements, will have an ongoing inflationary effect on the price of cigarettes ("Philip Morris...Agreement" 1999; "State Legislatures...Funds" 1999; "Tobacco Settlement Reached" 1997).

The negative consequences of using tobacco products have never been more visible to the public. But curiously, proof of tobacco being "dangerous to your health" (as confirmed by the industry), certain market segments continue to ignore such warnings and imbibe with enthusiasm (and by habit).

Who really understands the regulated and now to a larger degree evolving marketing life cycle of this industry's product lines? It remains in the hands (and mouths) of their customers and the government watchdogs.

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# MATERIALISM: IS MARKETING FUELING THE FIRE?

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## ABSTRACT

*The drive to possess material goods impact individuals, families, the nature of spirituality, the environment and the economy. Some believe this drive is out of control in the United States. The authors provide several propositions for exploring the relationship between the marketing profession and our culture's appetite for material goods.*

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## INTRODUCTION

With every socio-economic group in the United States engaging in the quest for material goods, materialism is rampant in American society. Materialism, in essence, is an excessive regard for money and what it will buy. This constant quest to buy more and better material goods, which seems to drive our society does have consequences that are often overlooked or ignored. The drive to possess material goods impacts the individual, the family, the nature of spirituality, the environment and the economy. Although many individuals residing in the United States have opted for a simpler less goods-oriented life, no one is immune to the effects of the intense desire to obtain material possessions that so many Americans hold. The purpose of the present paper is to examine the materialism literature and to develop a set of propositions to better understand the relationship between marketing and materialism.

## WHAT IS MATERIALISM?

Materialism is the preoccupation with or stress upon material rather than intellectual or spiritual things. Another term for materialism is "consumerism." Although marketers have generally used the term "consumerism" to describe a movement of consumers seeking to protect the rights of consumers, the materialism literature uses the term "consumerism" to describe the situation in which a progressively greater consumption of goods is perceived to be economically beneficial. The base word "consume" actually means to ingest, use up, to waste, squander, or to destroy totally. This suggests a negative connotation for consumerism, yet little is done to curb this behavior. If anything, the behavior is continually fostered and accepted as "normal."

Simon (1998) explains that with more shopping malls in the United States than high schools, it is little surprise that shopping has become the number one U.S. cultural activity. Seventy percent of Americans visit malls each week, which is more than attend churches and synagogues. Americans spend an average of six hours per week shopping compared to only 40 minutes with their children (Simon 1998). With this love of shopping, consumers are no longer shopping for the necessities of life, but are shopping to satisfy their desires. Among the bottom twenty percent of earners, spending on food, clothing and shelter is only 45 percent of their annual income compared to 70 percent in 1920 (Frank 1999).

## EFFECTS OF MATERIALISM

"Americans are engaged in an intensifying 'national shopping spree' rooted in competitive emulation--keeping up with the Joneses on a manic scale" (Hammonds 1998, p. 1). This quest was once just to keep up with other members of one's social class but has become more and more a quest to live a standard of life equal to that of co-workers, including one's superiors, and others. Today, to belong to a particular social class one must consume a particular set of goods and services. People measure their quality of life not just on what they possess but what they own relative to others in their reference group. An individual's level of happiness is likely to decline when somebody in their peer group obtains a new product until that individual is also able to buy the new item. This comparative mindset has influenced the types of products people consume. The obvious items such as housing, clothing, and automobiles have become more popular than the less obvious, non-status symbol purchases. Insurance, savings and home furnishings have become much less

important because they are much less visible to others.

Our society has become increasingly private, people spend less time visiting friends and neighbors and more time watching television. In fact, most adults spend about 40 percent of their free time watching television. Thirty five percent of respondents to a 1991 survey identified TV advertisements as a great idea source for their wish lists (Rosenblatt 1999). Beyond the commercials many actually use television as a guide to the consumption patterns of others. Unfortunately this perceived reality is skewed by the fact that most TV shows and movies feature characters belonging to the upper-middle or upper classes of society. Another survey indicated, "that every hour of television watched per week raised annual spending by \$208 per year" (Rosenblatt 1999, p. 14).

Not only are people buying according to the patterns seen on television programs they are also bombarded with advertisements portraying goods and services as necessities, rather than luxuries. Further, the ads attempt to convey that people need the product or service in order to be loved and accepted. By age 20 the average American has seen more than 20 million advertisements and will watch the equivalent to one year of commercials throughout their lifetime. This abundance of marketing and advertising is not just reaching adults but is being seen also by children. More than one billion dollars is spent each year to reach children; they are even targeted at school through methods like Channel One (Simon 1998). This company provides schools with free televisions in every classroom in exchange for a captive audience to its news and commercials each day for about ten minutes.

### **Individual Impact**

Business and media alike are encouraging consumerism, but how does this impact the individual American? Americans are now buying more goods than ever before and therefore working more hours than ever before. Several studies support that Americans are spending more time at work; in one survey it was reported that Americans work nearly eight hours a week more than they did in 1973 and have 37 percent less leisure time. Another study showed that 39 percent of respondents reported working more than 45 hours per week and one out of eight reported working sixty hours or more (Frank 1999). This need to work more hours is

driven by the quest to earn more money to acquire additional goods. Surveys report complaints by Americans that they do not have enough time for personal chores, personal time or time with their children.

In addition to the increasing time constraints caused by materialism many also experience stress from ever growing levels of debt. Credit card debt as a percentage of household disposable income is up 60 percent since 1989 and credit card debt older than 90 days doubled from 1994 to 1996. As the use of credit increases the level of delinquency also grows, it rose 40 percent in one year! Not only are people charging expenses, 27 percent are living paycheck to paycheck (Frank 1999). With this barrage of spending it is not surprising that one in 70 households filed for bankruptcy in 1997. Consumers continue to buy more than they can afford to attain "community standards." Americans are sacrificing the security of savings, adequate sleep, and ample leisure time. Only four percent of an individual's income is allocated as savings (Rosenblatt 1999). Sleep deprivation is an increasing cause of automobile accidents and people having increasingly less time to relax. They forgo these important items to obtain the material goods that the world has to offer and yet the more they buy the less they seem to enjoy it.

### **Family Effects**

Beyond the individual ramifications that materialism brings there are also consequences for the family unit. Today's typical American family has both parents working outside the home and children in daycare.

At present, families are disintegrating at a rapid rate under the impact of economic pressures that force both father and mother into the workforce, easy divorce, constant mobility and rootlessness, and the new ethic of selfishness. The task of caring for and initiating children is increasingly turned over to professionals, as both mother and father choose to center their identity in the economic rather than the familiar. (Keen 1983, p. 18).

Many children today, despite the words of their parents, are learning by example that material possessions are the most important things in life. Often, well-intentioned parents try to give their children all the things they never had. Unfortunately, this may be more of a disservice because when they become adults they will not be able to have everything they want and they will have to work for the things they do get, not whine for them. This obsession with consumerism not only affects the children but the spousal unit and extended family as well. The divorce rate in this country is 50 percent and 90 percent of those divorces have something to do with finances (Simon 1998). The constant barrage of advertisements promoting youth, beauty and sex leave couples increasingly dissatisfied with their mates. The drive to earn more pulls families apart. Children feel little compulsion to stay close to their parents when they become adults. They move to wherever the best jobs are. The nursing home and assisted living business is booming in this country. That is only partly due to the love affair with consumerism that makes it impossible to care for loved ones at home.

People do not want to invest in public school teachers' salaries even though these are the people responsible for grooming future generations. Maintenance on highways and bridges are being increasingly deferred because of a lack of funding, a policy that not only creates a more dangerous environment but also increases the overall cost of making repairs. Finally, as the drug problem continues to grow, the U.S. leads the world in cocaine use; there is less money available for treatment and prevention programs. These types of programs would be far less costly than the expenses associated with the results of untreated drug abuse. For example, the average cost of a normal birth-weight baby is \$3,700 while a drug-exposed infant's average bill is \$150,000 (Rosenblatt 1999). The consumption levels of non-necessities in this country are booming and yet nobody seems to have enough money to take care of public health and well-being issues.

### Spirituality

The affects of materialism can be seen in the spirituality of the nation. Americans' higher standard of living has given them more worry, anxiety and neurosis and seemingly greater discontent. "Most would have *more peace* if they had *less money* and *fewer things*" (Henry 1999, p. 1).

As stated above, more people visit malls every week than attend churches and synagogues (Simon 1998). Religion offers an opportunity for people to join "church families" and since often they live too far away from their blood relatives to see them with regularity this is an opportunity for building meaningful relationships. This, however, is yet another opportunity for relationships that many people forgo. Some may avoid church because the message being delivered convicts them of their materialistic ways. The *Bible* says that materialism is a sin because of two key underlying problems, selfishness and excessiveness. People who are materialistic buy for their own satisfaction and buy more than they need. They often justify their purchases but if they were honest with themselves they would admit that most of their purchases are not necessary.

Americans behavior regarding money and material objects can be compared to an addiction. An addiction means that the behavior one is exhibiting:

- Creates predictable, reliable sensations,
- Becomes the primary focus and absorbs attention.
- Temporarily eradicates pain and other negative sensations.
- Provides artificial sense of self-worth, power, control, security, intimacy, and accomplishment.
- Exacerbates the problems and feelings it is sought to remedy.
- Worsens functioning, creates loss of relationships. (Henry 1999)

Millions of Americans exemplify these addictive traits with regard to material things but unlike other addictions, which are greatly criticized, materialism is commended. Americans praise materialistic behavior as the quest for "the American Dream." Millions of books, tapes, and videos are sold every year that promote the chase for wealth. Many attend financial seminars that further promote the American society's materialistic ways and attendees applaud the motivational speakers who are teaching everyone to obtain greater wealth.

## **Environmental Impacts**

Simon (1998) reports that since 1950 Americans have used more resources than everyone who has lived before them has. America's love affair with consumption is impacting the entire world through its strains on the environment.

Americans, who have the largest material requirements in the world, each directly or indirectly use an average of 125 pounds of material every day, or about 23 tons per year... Americans waste more than 1 million pounds per person per year. This includes: 3.5 billion pounds of carpet sent to landfills, 25 billion pounds of carbon dioxide, and 6 billion pounds of polystyrene. Domestically, we waste 28 billion pounds of food, 300 billion pounds of organic and inorganic chemicals used for manufacturing and processing, and 700 billion pounds of hazardous waste generated by chemical production... Total wastes, excluding wastewater, exceed 50 trillion pounds a year in the United States... For every 100 pounds of product we manufacture in the United States, we create at least 3,200 pounds of waste. In a decade, we transform 500 trillion pounds of molecules into nonproductive solids, liquids, and gases (Rosenblatt 1999, p. 3).

These statistics explain why if everyone in the world consumed at the level of Americans that the earth would be unable to keep up. Actually, with the current population two additional planets would be necessary to enable everyone to live at the same consumption level. Many scientists believe that continued over-consumption would cause an environmental breakdown. Studies have been done using computer generated scenarios. The only scenario that did not result in a collapse of the earth's environment was one in which material production and population were limited and technological advances were utilized to increase resource efficiency, decrease pollution and control erosion (Harwood Group 1995). These statistics paint a grim picture of the future of the earth if

consumption continues at today's rate. These studies do not even consider the fact that consumerism is spreading worldwide. Citizens of other countries are attempting to consume at increasingly higher levels, which will further exacerbate the problem.

Americans see the environment as connected to these concerns - in general terms. People perceive a connection between the amount we buy and consume and their concerns about environmental damage, but their understanding of the link is somewhat vague and general. People have not thought deeply about the ecological implications of their own lifestyles; yet there is an intuitive sense that our propensity for "more, more, more" is unsustainable (Harwood Group 1995, p. 1)

Despite this seeming awareness of the environmental impact of over-consumption many Americans continue to spend on personal luxuries instead of investing in projects that effect the larger community. Most local governments do not have the money they need to ensure clean drinking water. In addition, air quality continues to degrade because companies are unwilling to invest in technology that would result in cleaner emissions. The FDA does not have the money to hire enough inspectors to assure quality beef inspection so e-coli poisoning continues to become more prevalent.

## **Economic Impacts**

The gross domestic product in 1996 reached \$6.9 trillion, of this amount \$4.7 trillion was from personal consumption of goods and services. The cars produced in the U.S. are so luxurious and unpractical that they are often rejected everywhere else creating a trade deficit of \$33.5 billion. This category alone accounts for one-third of the total trade deficit. The U.S. government actually buys goods and services on credit to enable its citizens to continue to overconsume (Rosenblatt 1999).

From a financial perspective, consumerism has led to widespread out-of-control spending and an unprecedented surge in bankruptcies. In October 1999 the Consumer Federation of America reported that the typical household has only \$1000 in

net assets and \$35,500 in net wealth, attributing this mostly to consumer debt. The proliferation of credit cards, loans, and other instruments of debt further encourage consumer debt. According to the Federal Reserve Board, total consumer debt in early 1999 rose to \$6 trillion, with \$1.4 trillion spent on credit card purchases and \$4 billion of this overdue. Personal savings slowly dropped from \$210 billion in 1993 to -\$35 billion (negative) in early 1999 (Rosenblatt 1999, p. 25).

Though material consumption obviously has some negative impacts on individuals it does contribute largely to the wealth of our nation. Despite the positive impacts it is speculated that a more rigid economy with less spending and more savings would be equally stable and that Americans would be just as happy, if not happier.

### **Materialism Summary**

Materialism has gripped the United States and shows little sign of letting up. This behavior has led to negative impacts on individuals, families, spirituality, the environment and the economy. Many Americans realize that their quest to obtain more and more goods and services is not healthy but when it comes down to making the decision to consume or not, most decide to buy. The behavior to consume is virtually ingrained in many Americans and continues to be fostered in today's society. Consumers, particularly children, are constantly bombarded with messages urging them to buy products or services so that they can live a better life or be loved and accepted. Despite a greater awareness of materialism and all the articles condemning it Americans increasingly feel the need to work more hours, spend less time building relationships, and become increasingly indebted. Unfortunately the result of all these sacrifices is usually not greater happiness, but lesser.

### **RESEARCH IMPLICATIONS FOR MARKETERS**

Results of public opinion surveys indicate that 58% of American adults rate the ethical standards of business executives as only "fair" or "poor"; and 76% say the lack of ethics in businesspeople contributes to plummeting societal moral standards (Krohe 1997; Walker Information

1998). Indeed many Americans believe that marketers are the most unethical of all businesspeople. Perhaps this is because the work of marketers is often the most visible of the functional business areas. On the one hand, we hear cries of "free will" and "personal responsibility." On the other hand, however, cigarette marketers are blamed for people smoking. Video game marketers, motion picture marketers and music CD marketers are blamed for violence among teenagers. Marketers are also blamed for the need for political campaign reform. The real question is this: Does marketing shape the values of a society or does marketing reflect the values of a society?

Several marketing researchers have looked at materialism (Moschis and Churchill 1978; Inglehart 1981; Belk 1984, 1985; Richins 1987; Richins and Dawson 1992) from the point of view that materialism is value that consumers possess. Perhaps it is time to look at materialism as something that marketing may have helped to create. Thus the following propositions are provided as a starting point for further research in this area:

- P1: Materialism is on the rise in countries in which marketing plays a key role in the economy.
- P2: Marketers influence consumers more than religion.
- P3: Marketers influence younger people more than older people.
- P4: Consumers over-consume only in countries in which marketing plays a key role in the economy.
- P5: Marketers have more influence over the balance of trade than governments.
- P6: Environmental waste is most prevalent in countries where marketing plays a key role in the economy.
- P7: Marketers drive materialism.

### **CONCLUSIONS**

Marketers should be aware of public sentiment toward marketing. With increasing numbers of consumers blaming marketers for materialism, it is again time to assess marketing's role in this ethical situation. Are marketers serving society by providing knowledge about material goods, or are marketers the drivers of materialism in society? Several propositions are raised for further research.

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# ENHANCING TECHNOLOGY TRANSFER PROGRAMS USING THE "MIND TO MARKET" (M<sup>2</sup>) PARADIGM

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## ABSTRACT

*A normative paradigm for technology transfer (TT) was developed following a multi-disciplinary literature review. Applying it can further improve TT practices of federal laboratories (FL) and university and business research programs. Enhancing performance of individual paradigm components should also enhance overall TT performance, irrespective of mission, structure or funding priorities.*

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## INTRODUCTION

Following a definition of TT, a conceptual framework within which to organize our thinking, and several models from the literature are presented, followed by our Mind to Market (M<sup>2</sup>) paradigm. Connections and relationships between its elements are discussed. Examples from experiences with federal, an academic and business research laboratory is brought into the discussion. The paper concludes with some recommendations for increasing technology transfer performance.

## THE LITERATURE

### An Overview

Bearing on TT are various literatures dealing with innovation and invention management, research and project management, product or service management and development, organizational behavior, strategic planning and management and more. There are many approaches (e.g. theory building, policy modeling, technical, prescriptive, etc.). Yet there is a paucity of practical, comparative literature providing comprehensive operating guidelines for practitioners. The literature is copious, yet we found the vast majority of it to be unhelpful to improving TT performance. These bodies of literatures contain contributions from different disciplines (e.g. business, marketing, law, engineering, sociology, mixed with occasional science, management, etc.).

For example, the marketing discipline refers to *new products management* as the process that covers R&D and development and commercialization

in business (Crawford 1997). On the other hand, engineers and scientists often refer to the same process as: "project management." Legal experts, lawyers and patent administrators engage in "harvesting knowledge" and use the term "intellectual property management" as opposed to the strategic management literature where "intellectual capital" is used.

### The Value Chain and the Organizational Innovation Matrix

Any business firm that engages in product innovation must also be concerned with acquisition of customers who would buy those products or innovations. Economists have termed this flow of value creation the *value chain* (Porter 1985). As the value chain flows across organizations, it flows through (and thus within) them as well. Therefore it is appropriate to use the value chain concept as both an intra-organizational concept and an inter-organizational one as well. The budgets of federal labs are often dedicated to fulfilling their mission, or to a legislative mandate. These are often tax dollars which are ultimately controlled by voting, not on revenues derived from end-user purchases.

Figure 1 shows the intra-organizational value chain involved in innovation. This chain can be thought of as encompassing two sets of processes: value creation and value extraction. Value must be created within the organization and it must then be extracted for transfer to others outside the organization.



**FIGURE 1**  
The Organizational Innovation Matrix

Primary Activities Support Activities	Value Creation				Value Extraction			
	Skills Acquisition	Environ. Inputs	Knowledge Creation	Systemization	Embodiment	Evaluation	Extraction	Transfer & Systemization
			Firm Infrastructure					
			Human Resources Management					
			Technology Development					
			Procurement					

Source: Sullivan (1998).

The value creation process is composed of the first four sub-processes: *Skills acquisition* through new hires and training; *Environmental inputs* in the form of new knowledge and materials; *Knowledge creation* in the form of discovery and invention; *Systemization of that knowledge* into the proper relation to other knowledge by way of agreement.

Next, creative ideas must be embodied in concrete form, and then passed on to others for value extraction. This process of value extraction also consists of four sub-processes: *Embodiment* (and maintenance) of the knowledge, i.e., numbers, and/or drawings; *Evaluation* and testing; *Extraction* in the form of product prototypes and/or patents; *Transfer and systemization*.

For the entire process to generate ultimate (consumable) value in the innovation process, it must be not only be extracted, but must be transferred to other organizations or to the consumer (this is shown as the last step in figure 1). While this model was created with the private sector in mind, it is applicable to the public sector. However it necessitates inter-organizational TT at an earlier stage of the technology than is often generally done. Most TT requires licensing, patents or cooperative research agreements. These in turn affect the TT process, making the outcome more problematic.

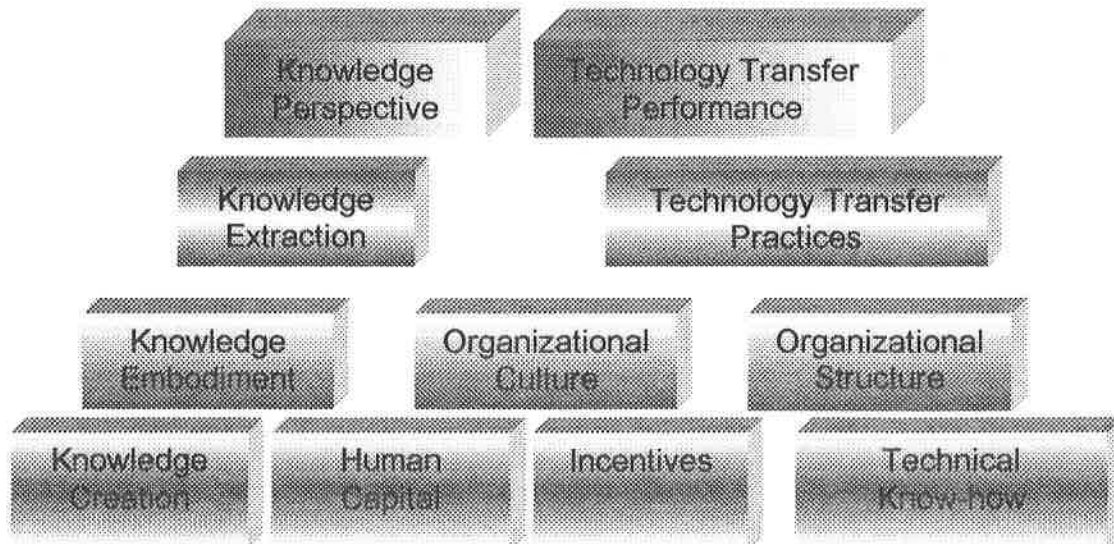
**THE MIND TO MARKET PARADIGM FOR TT**

To enhance the efficiency and effectiveness

of TT it would be crucial to incorporate elements from our proposed paradigm. A skeleton of our "mind to market" (M<sup>2</sup>) paradigm can be seen in Figure 2. The M<sup>2</sup> paradigm is shaped like a pyramid with the lower levels supporting efficacy of later ones. The top of the M<sup>2</sup> paradigm is where TT performance is achieved. The lower levels represent three levels of knowledge harvesting:

1. *Knowledge creation and systemization* by individuals and informal teams; knowledge is of the human capital kind, residing with individuals. At this level a combination of technical knowledge and incentives increases the flow and movement of human capital facilitating exchange and move of ideas to the next level.
2. *Knowledge embodiment*, where it is codified and moved from individual minds onto a format, which can become intellectual assets. This process can be enhanced provided a facilitating organizational culture and structure.
3. *Knowledge extraction process* can begin as we move to the third level, which requires turning the intellectual capital into intellectual property. Here we must rely on technology transfer mechanisms and TT practices to enhance knowledge extraction. Only after these three levels are ascended, a move to the peak is possible.

**FIGURE 2**  
The 'Mind to Market (M<sup>2</sup>)' Paradigm of TT Performance



The M<sup>2</sup> paradigm integrates the multitude of elements identified in various sources in the literature and builds on several of these elements. As knowledge moves through the internal value chain (left side of Figure 2) each organizational process associated with that chain (right side of figure 4) influences the efficacy of the latter processes. These upstream influences are multiplied downstream. Thus incentives influence culture, and are in turn influenced by it.

At the lowest level, the mind, knowledge is created as human capital and the paradigm has three important driving forces. *Human capital, technical know-how* and *incentives* help knowledge generation, and are the basic characteristics of societal educational structure. The first two both drive, and in turn are driven by, legal and cultural environment as well as organizational structure. All three need to be aligned with each other to ultimately achieve good TT performance.

Moving to the second level, where knowledge is embodied and codified and thereby turned into intellectual assets: the materializing level. Here ideas are materialized into drawings, words or code. The two elements, which impact knowledge embodiments are: *organizational structure and culture*. Structure is defined as the functional relationships, and reporting hierarchies between organizational elements. Culture is defined as the organizational values and norms. Both affect all the

actions of the organization including its practices and mechanisms.

Finally on the level just below the top, the element which impacts knowledge harvesting, and its turning into intellectual properties: *TT practices*. TT practices are defined as routines internal to the organization that deal with intellectual properties. These also impact the mechanisms by which an organization reaches out to other organizations in order to perform TT. Given TT mechanisms require certain practices, and given practices give rise to certain mechanisms.

At the top level is the market where we have TT performance. TT performance may be thought of as combining efficiency (doing the things right) with effectiveness (doing the right thing) for the organization in regards to technology transfer.

#### **ENHANCING TECH TRANSFER AND KNOWLEDGE EXTRACTION**

Increasing organizational porosity would increase TT performance. Since TT is the movement of methods across organization boundaries, success in increasing those movements necessarily depends upon removal of boundary-related impediments. Organizational porosity in this regard is increased by any means that promotes inter-organizational interfacing, communication, and/or understanding.

While the importance of doing this is generally accepted, it is important to reiterate the fact that the increased porosity means that TT is more than a one-way process. In fact only the first of the following four is the traditional TT view:

*Spin-out(s)* the diffusion of FL technology into the business community allows that technology to incubate and spawn further related innovations that may in turn extend increased effectiveness to fl. Building relationships with outside partners that will lead to mission-enhancing collaboration as well as to discretionary income for the command.

*Spin-in(s)* the use of new technologies developed by sources outside FL allows brand new mission-enhancing capabilities. The knowledge generated by absorption of new technologies by FL could help it to leapfrog to faster discover of yet newer technologies. In some areas, the influx of new technologies from outside will allow FL to achieve substantially cost-free progress. In other areas, the influx of new technologies will allow FL to save money by eliminating areas of technical redundancy. The spin-in of new technologies will generate the building of new relationships between FL and outside technology partners.

*Spin-around(s)* these build relationships and knowledge between geographically and organizationally diverse elements of FL that will lead to new mission-enhancing capabilities. Effective spin-around will reduce redundancy between organizational elements of FL.

*Co-spin(s)* partnerships in development have advantages analogous to those of spin-outs plus getting individual companies more interested in future work with FL. It also increase the worth of hc through the learning that takes place between inside and outside researchers.

## SUMMARY

In general the mind to market paradigm advocates that the TT process at FL be looked upon as part of a larger process and that FL become more aware of the entire value chain, both the internal one and the external one connected with the ultimate end user. All of the changes recommended require an increase in support from the top leadership. For example they must agree to require (and lead in) changes in the culture and norms, and the evaluation and reward system.

In an economy in which alliances are increasing greater collaboration should extend beyond the FL. Growing collaboration between business, academia, and the FL could be promoted to facilitate greater awareness of and attention to commercial considerations in as early a stage as possible. Studying "best TT practices" and benchmarking could help this process.

Finally, the recommendations on changes in incentives may be the most important ones to result from our mind to market paradigm. Level one changes, we feel, will lead to necessary changes in culture (level two) that, in the long run, will generate appropriate mechanisms and practices for FL so as to enhance level three and eventually TT performance.

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# WHATEVER HAPPENED TO THAT GLOBAL VILLAGE?

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## ABSTRACT

*One of the assumptions in much of the international consumer behavior literature is the existence of global consumers who are similar in terms of psychological consumer tendencies. These consumers are generally shown to exist through anecdotal evidence. This paper empirically explores that notion in terms of psychological consumer tendencies.*

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## INTRODUCTION

Much has been written regarding the consumer from the perspective of market environment elements. One assumption, explicit or implicit, is the existence of global consumers, individuals whose differences are becoming less important influencers of their behavior, yielding to similar product wants and needs which cut across national boundaries.

But these individuals are generally shown to exist through anecdotal evidence. Using data drawn from consumers in three different markets (the United States, France, and Malaysia), this study attempts to identify areas of similarities and differences among the cultural/national samples to begin establishing empirical evidence for the existence of global consumers as well as insights into future research and managerial decision making.

## METHODOLOGY

This study involved direct contact with consumers in the three markets to collect data related to the constructs of national identity, consumer ethnocentrism, social desirability, and influence sources in order to explore potential similarities and differences across samples and within various sub-groups. Personal interviews were utilized. Data was collected over a four-month period of time. A total of 371 completed, usable, surveys were obtained (129 U.S., 111 French, and 131 Malaysian). A comparison of the samples with existing census data showed each to be representative in terms of age and gender distribution. The reliability of the

instruments was evaluated through the use of Cronbach's Alpha (Cronbach 1951).

## Selection of Markets

The markets selected were those from which reasonably high quality respondent data could be obtained, and which were distinct in their economic, cultural, and consumer behavior characteristics. The United States was an obvious choice given that it is a major player in the global economy. Given the exploratory nature of the research it was determined that two major global market regions (the European Union and Asia) would be appropriate. The three nations chosen are reasonably distinct across economic and cultural lines.

## Measurement

Several characteristics would seem to hamper the emergence of a substantial global consumer segment. These would include the four constructs employed in this study: 1) national identity, 2) consumer ethnocentrism, 3) social desirability bias, and 4) consumer influence sources.

*National Identity (NATID).* National identity is the extent to which an individual in a given culture or country identifies with elements deemed unique to that national environment. This is important for marketing (cf. Clark 1990). It is reasonable to assume that as the level of importance attached to national identity decreases the more that individual could be viewed as a global consumer. In order to measure the level of national identity the NATID

scale (Keillor et al. 1996), shown to be both reliable and valid when used in multi-country studies (cf. Keillor et al. 1996; Keillor and Hult 1999), was used.

*Consumer Ethnocentrism (CETSCALE).* Consumer ethnocentrism is the tendency of consumers to exhibit a predisposition toward consumptive behaviors originating from, or associated with, their own culture and/or country (Netemeyer, Durvasula, and Lichtenstein 1991; Shimp and Sharma 1987). The CETSCALE (Shimp and Sharma 1987) is a widely accepted means of measuring this potential tendency toward consumer ethnocentrism.

*Social Desirability Bias (SDS).* A social desirability bias involves the tendency of an individual to behave in a culturally acceptable manner even if such behavior departs from the individual's own ideals (Crowne and Marlowe 1964). Any individual who engages in consumptive behavior based on culturally acceptable norms rather than according to their own personal preferences would not fit the profile of a global consumer. One measurement tool is the Crowne and Marlowe Social Desirability Scale (Crowne and Marlowe 1964; Mick 1996).

*Consumer Influence Sources (INFLUENCE).* This study adopts the basic framework of the Model of Consumer Socialization (Moschis 1987; Moschis and Churchill 1978). Influencers incorporated from this model fall into one of five categories: 1) family, 2) friends, 3) mass media, 4) political/government, and 5) societal/cultural. It could be assumed that individual consumers who succumb to traditional influencers (e.g., family) are less likely to be considered global than those who are influenced in their consumer behavior by "modern" influencers (e.g., mass media). The sources of outside influences on individual behavior are generally agreed upon (cf. Shim 1996), but no widely accepted instrument exists for measuring the impact of outside influences on respondent behavior. Therefore, an instrument was created based on these existing accepted influencers.

## RESULTS

Analysis of variance (ANOVA) was utilized to determine the extent to which consumers from different cultures and countries may "think" alike, based on the four consumer constructs identified above. The results show that significant differences do exist between the three national samples. In the

case of national identity, both Malaysian and French respondents reported significantly higher ( $F=16.173$ ;  $p<.000$ ) levels of national identity than did U.S. respondents. This also held true for consumer ethnocentrism ( $F=24.558$ ;  $p<.000$ ). Interestingly, no significant differences were detected, in terms of social desirability bias, across the three country samples. However, when consumer influence sources are considered, Malaysian and French respondents were found to be particularly susceptible to family-based influences ( $F=12.987$ ;  $p<.000$ ), while U.S. respondents indicated friends ( $F=11.007$ ;  $p<.000$ ) and society ( $F=9.057$ ;  $p<.000$ ) as primary influencers on their consumer behavior.

These results would appear to question the notion of a global consumer. But the presence of a large elderly population in a given market may, in the short-term, result in high levels of consumer ethnocentrism. Thus, if one accepts the *possibility* of converging consumer tendencies around the world, it becomes likely that today's people will become global consumers in the future and demonstrate different consumer tendencies than do individuals today. Therefore, the next stage of data analysis involved combining the three national samples and investigating potential differences across the traditionally accepted consumer segmentation criteria of age, income, education, and gender.

*Age Comparisons.* Comparisons for the four specified constructs were performed based on the following respondent age categories: 15-24; 25-34; 35-44; 45-54; 55 and over. The categories reflect the available census data for each country. As age increased, respondents across the three samples reported significantly ( $F=4.161$ ;  $p<.001$ ) higher levels of national identity. The youngest respondents reported what would be classified as a relatively weak sense of national identity (mean= 15.5), while the oldest reported a relatively strong (mean= 17.8) sense of national identity.

Comparison of consumer ethnocentricity across age groups revealed a tendency toward ethnocentrism as the respondents progressed in age. Respondents in the 15-24 year old age category were significantly ( $F=2.985$ ;  $p<.012$ ) less ethnocentric in their consumer orientation than were older consumers.

In comparing the total sample across age categories, based on levels of social desirability bias,

the reported means were both relatively high and not significantly different ( $F = .749$ ;  $p < .587$ ). This suggests that, while younger individuals may feel fewer obligations to identify with their national identity, or to modify their behavior based on ethnocentric opinions, culture and society still exert some pressure. In short, younger consumers were found to be significantly less likely to feel a close identification with their national identity, less likely to be ethnocentric in their consumer behavior, and yet show tendencies to act in a socially desirable manner. Five outside influences were identified for this study: 1) family, 2) friends, 3) mass media, 4) political/governmental, and 5) societal/cultural. This raises a question. Will the younger people who replace their elders become global consumers or will they grow into the patterns now associated with older consumers?

*Income Comparisons.* One would expect that more income results in changes in consumption patterns. The results for the income comparisons appear, on the surface, to be counter-intuitive. It is generally accepted (Luqmani, Yavas, and Quraeshi 1994) that as individual income rises, material rather than subsistence consumption becomes the norm. Thus, relatively high levels of income would be associated with a global consumer. The results obtained in this study do not support this conclusion. In terms of national identity ( $F = 2.304$ ;  $p < .034$ ), national identity was shown to be significantly lower as individual income increased. However, no significant differences ( $F = 1.997$ ;  $p < .065$ ) were detected for social desirability bias across income levels. Further, as income level increased, the data did show respondents to be significantly ( $F = 3.460$ ;  $p < .002$ ) more ethnocentric in their consumer behavior. It is important here to consider the potential interaction between age and income. Generally, income rises over the course of a person's lifetime, meaning that respondents at higher income levels would be older. As younger, more globally-oriented, consumer's age, the proposed relationship between income and global consumers may re-emerge.

As for the comparison of outside influences across income levels, two of the five were found to be significant: friends and societal/cultural influences. The reported influence of friends increased significantly ( $F = 2.906$ ;  $p < .009$ ) as income levels rose suggesting, that although perhaps somewhat ethnocentric, these individuals may be susceptible to trends in product consumption associated with

increased status within their social group. Such a conclusion may be further reinforced by the fact that these same respondents reported significantly less ( $F = 3.571$ ;  $p < .002$ ) attention being paid to general social/cultural influences as their income increased. Note that having money does not make an individual more sophisticated but only more able to afford a wide range of products. As such income is an indirect indicator of consumer behavior (Oyewole 1998).

*Education Comparisons.* Five education categories were constructed which were fundamentally equivalent to elementary, secondary, high school, university, and post-graduate education. The income comparisons did not necessarily hold, but the education comparisons were consistent with the suggested relationships. In the case of national identity, as education levels increased respondents reported significantly lower ( $F = 4.529$ ;  $p < .001$ ) degrees of emphasis being placed on national identity. Based on the NATID norms established by Keillor et al. (1996), individuals at the lower levels of education (elementary and secondary) reported high levels of national identity (mean = 17.2 and 17.3 respectively) while individuals with post-graduate education reported an extremely low (mean = 13.2) national identity. This downward trend in national identity was steady and consistent as respondent education levels rose. Similar results were obtained from the social desirability comparisons with a social desirability bias being steadily and significantly ( $F = 2.742$ ;  $p < .019$ ) lower as individual education level rose. Consumer ethnocentrism comparisons showed no significant ( $F = 1.049$ ;  $p < .389$ ) differences across education levels. It could be concluded that educated individuals around the world are less likely to succumb to cultural pressure, making them more global as consumers. As education level increased, respondents reported to be significantly ( $F = 3.233$ ;  $p < .007$ ) more influenced by friends and significantly less influenced by political/government ( $F = 4.767$ ;  $p < .000$ ) and societal/cultural ( $F = 3.042$ ;  $p < .011$ ) forces. It would appear that the educated individual, regardless of origin, is more interested in the opinion of close social contacts and less swayed by the opinion of society when it comes to product choice.

*Gender Comparisons.* While it could be argued that in more traditional markets males would receive a disproportionate amount of education and other resources making them more likely to exhibit global consumer characteristics. However, there were no

significant differences identified between males and females based on national identity ( $F = .073$ ;  $p < .929$ ), social desirability bias ( $F = .258$ ;  $p < .773$ ), or consumer ethnocentrism ( $F = .342$ ;  $p < .711$ ). At the same time females reported being more significantly influenced in their consumptive activities by family ( $F = 3.239$ ;  $p < .040$ ) than did males. On the other hand, males indicated being more significantly influenced by mass media ( $F = 4.609$ ;  $p < .011$ ) and societal/cultural ( $F = 4.276$ ;  $p < .015$ ) forces.

## DISCUSSION

The notion that the socio-cultural differences apparent around the world have become decreasingly relevant to how consumers think and act is understandably attractive to marketers and non-marketers alike. The concept of the "global village" has been bandied about for scores of years, and its supposed consequences propounded by authors and speakers. Communication breakthroughs of the past 20 years, the Internet, cellular telephone systems, and satellite TV, are just some of the developments, which add credence to the idea of the global consumer. Yet this research investigates three distinctly different markets. The findings indicate both that the phenomenon of a global consumer is beginning to emerge to some degree, *and* that the global consumer portrayed by some is certainly not a complete reality.

In reviewing the results obtained from the constructs included in this study, national identity was found to be higher among the French and Malay respondents than it was among the United States' subjects. This might be seen as intuitive given that the U.S. population is comparatively heterogeneous while the other populations are not quite so diverse and much smaller in terms of total population. Also, they are dispersed over limited geographic areas. This raises some interesting questions. Has the media that Americans were once told was unifying the populace left that population with a lesser, not greater, sense of national identity? Or, that the development of a global consumer is an inevitability, i.e., that mass communication serves more to break down national identity, even within a single country, than to create it? That subjects in France and Malaysia indicated that family strongly influenced their purchases while Americans mentioned friends may also attest to communication's effects on parochialism.

This study does not immediately support the idea of the global consumer. But, like much else in marketing, the real discovery lies in market segmentation. Analysis by age groups showed that older persons had higher levels and younger persons lower levels of national identity. Tendencies toward ethnocentrism were the same. These, of course, suggest that with time global consumers might emerge in large numbers. At the same time, all groupings indicated high levels of social desirability bias. If this pattern holds it suggests that the global consumer of the comparatively near future will be more accepting of foreign goods and behaviors, but will still, understandably, be influenced strongly by the people they deal with locally. The global consumer may in fact develop but the process will take at least enough time to allow globalization to homogenize thinking to the point that persons in various places think enough alike that the influence of a friend or family member in one country or region is about the same as that in other regions. While this scenario seems inevitable "eventually", that eventuality will probably not develop in the near future. At the same time, important determinants of the speed at which consumer tendencies may converge is the Internet and the increasing popularity of e-commerce.

## CONCLUSIONS AND LIMITATIONS

These results may not be generalizable to countries other than the three considered, and while the general pattern of development being followed by the global consumer is supported by the age-group analysis presented here, events may conspire to thwart the process. Economic and political calamities are, most believe, inevitable. Events around the world bear witness to the possibility that sudden strengthening of religious or political philosophies can enhance levels of ethnocentrism and xenophobia. The extant global consumer, as profiled in this research, is not the one portrayed by those analysts who seem to see the global village as more-or-less complete. Generations may have to pass away before the putative global consumer will emerge. Our conclusion, then, to the question "Whatever happened to the global village?" is "Wait!"

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# BUSINESS STRATEGIC PLANNING IN A CONTEXT OF SOCIO-ECONOMIC CHANGE: AN EXPLORATORY STUDY OF RETAILERS IN ROMANIA

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## ABSTRACT

*The paper explores the factors that influence the business strategic planning of small retailers operating in a privatizing economy. In an interpretive perspective, it is suggested that managers' strategic choices of competitive methods are influenced by their perceptions of and attitudes toward the socio-economic changes characteristic to a transitional environment. An empirical exploratory study of small retailers in Romania tests hypotheses concerning interactions between business strategy and managers' perceptions of environmental uncertainties, perceptions of business competencies, and attitudes toward the process of change. Findings suggest that the degree to which managers embrace the new market-driven system, managers' perceptions of environmental uncertainties, along with interactions between the two, are the most important determinants of business strategic planning.*

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## INTRODUCTION

The literature on business strategy suggests that in order to be successful, businesses need to have a strong link between the way they define their strategy and the environment in which they operate (e.g. McDaniel and Kolari 1987; McKee, Varadarajan, and Pride 1998; Miles and Snow 1978). In addition, successful firms need to have a sustainable competitive advantage, which means coordination between superior business capabilities (e.g. skills, knowledge) and strategy (e.g. Aaker 1992; Day and Wensley 1983; Porter 1980; South 1981). Hence, a successful strategy should be developed on the basis of internal business assessment and external environmental assessment. However, such assessments depend on management's perceptions of the environment and their own business. While the normative strategy literature assumes that managers are rational and well informed processors of a real environment (e.g. Hofer and Schendel 1978), more literature recognized the perceptual and cognitive aspect of managerial decisions, emphasizing the important role played by mental models and representations that managers use to interpret their environments (Barnes 1984; Day and Nedungadi 1994; Kiesler and Sproull 1982; Smircich and Stubbart 1985). Environmental representations, being developed on the basis of perceptions, are likely to be biased and incomplete but, as "reality embodiments", they are also likely to shape future behavior (Day and Nedungadi 1994). Literature shows that people's perceptions are altered

by the attitudes and the value systems they hold, which act as a filter through which they view and evaluate the world (e.g. Kahle 1983; Kamakura and Novak 1992; Wharton and Harmatz 1995). Hence, it is expected that managers having different attitude systems perceive environment differently and develop different strategies.

## HYPOTHESES

### **Relationships Between Perceived Environmental Uncertainty and Business Strategic Planning**

It is generally understood that business strategy and planning is influenced by environmental uncertainty. Firms face uncertainty relative to suppliers, customers, competitors, technology, and society in general (e.g. Duncan 1972; Miles and Snow 1978). Organizations can take a proactive or reactive stance with respect to the external environment. In the first case, their strategies include actions for shaping the environment in desired ways while in the second case their strategies consist of sets of adaptive responses (Zeithaml and Zeithaml 1984). Hence, in order to cope with environmental uncertainties, reactive firms have to build in a certain amount of adaptability.

In a study undertaken in Sibiu, Romania, Stan et al. (1994) observed 200 stores in two dense commercial areas. They found that despite their small size and their proximity to one another, relatively few stores were specialized and carried to

satisfactory selection of products. Instead, a fifth of the stores didn't have any focus, carrying a scrambled merchandise, while almost half of all stores, regardless of type, carried some apparel and foot wear, as well as some kind of food products. One explanation for these findings, in accordance with the above discussion, is the need for maintaining a flexible business scope. Carrying a wide, unspecialized range of merchandise helps in coping with both customer and supplier uncertainties. In addition, in transitional economies a small percentage of business owners start retailing activities with the intention of developing a pure retailing business. In fact, depending on environmental opportunities they try to diversity in any promising additional activity such as wholesaling or manufacturing. Diversification is the main means of coping with uncertainties. In addition, the same study found that only one third of the stores seemed to have a management interested in creating an attractive, high quality store in terms of facilities, atmospherics, and merchandise presentation. An explanation could be the need for keeping costs as low as possible in an environment in which divestiture is a common solution to business failure. In summary, it is suggested that two themes may characterize retailers' business planning in uncertain transitional economies: flexibility and low cost. Flexibility would be reflected in less specialized merchandise-mix and shorter time perspective in business strategic planning. Concerning low costs, it is expected that retail managers would invest less in modern equipment for running their business and would be more important the more uncertain the environment is perceived to be, systematic marketing research is costly and results are highly volatile. Therefore, it is expected that the opposite be true.

*H1. The more environmental uncertainty managers perceive, the more flexibility they will build in their business and the lower they will try to maintain costs in their business planning. Specifically, managers will emphasize 1) less merchandise specialization, 2) less environmental scanning, 3) less investment in modern equipment, 4) lower inventory levels and 5) shorter time perspective in business strategic planning.*

## **Relationships Between Perceived Business Competencies and Business Strategic Planning**

To be successful, it is not enough for a firm to design strategy in accordance with the external environment but it is also necessary to emphasize those strategic elements that build upon managers' perceived own business competencies. As Aaker (1992) notes, a strategy leads to a sustainable competitive advantage when it offers value to the served market segment, it is supported by skills and resources and it is not easily duplicated by competitors. In general, classification studies in the competitive advantage literature, regardless of whether they are applied to large or small businesses, have shown that better performing firms have clearly defined strategies built upon superior marketing competencies and skills (e.g. Conant, Smart, and Solano-Mendez 1993; Miles and Snow 1978; Porter 1980;). These managers may also feel safer in terms of competition and may be more dedicated to the future of their business; therefore, they may have a longer time perspective in business strategic planning. Summarizing, it is proposed that:

*H2. Managers who perceive they operate with a superior competitive advantage in terms of their merchandise-mix, customer service, store location and communication with customers, or have superior managerial skills will emphasize 1) more merchandise specialization, 2) higher merchandise quality, 3) better customer service, 4) more concern for store environment, 5) more investment in modern equipment and 6) a longer time perspective in business strategic planning.*

## **Relationship Between Attitudes Toward the Process of Change and Business Strategic Planning**

Because the development of business strategies relies heavily upon environmental perceptions and self-assessment, it is also important to study what kind of attitude systems managers hold.

The literature suggests that attitudes act as a filter through which people perceive and respond to the world, being a guide for perceptual and cognitive processes (Zimbardo and Leippe 1991). Attitudes are organized in hierarchal structures in which higher-level attitudes determine the more specific ones. While it has been found that attitudes are not good predictors of behavior in general, when observed at the same level of specificity attitudes can predict behavior (Fishbein and Ajzen 1974). Temporal orientation, which is a cultural value slow to change (McGarth and Kelly 1986), is a critical aspect of the transition process; under socialism people did not relate money to time but instead they were concerned with short term procedures leaving the long term planning to others (Lofman 1993).

*H3. Compared with managers more resistant to the process of change, managers more favorable to change will emphasize 1) more merchandise specialization, 2) higher merchandise quality, 3) better customer service, 4) more environmental scanning, 5) more investment in modern equipment, 6) lower inventory levels, and 7) longer time perspective in business strategic planning.*

#### **The Moderating Effect of the Attitudes Toward the Process of Change on the Relationships Between Perceived Environmental Uncertainty and Business Strategic Planning**

Because attitudes act as a filter through which people perceive and respond to the world, it is expected that managers' attitudes toward the process of change will have not only a direct effect on business strategic planning but also a moderating effect on the way in which managers react to their perceptions of environmental uncertainties and own business competencies in planning their business.

*H4. Compared with managers who are less favorable to the process of change, managers who are more favorable to it (more free-market oriented) will put more emphasis on 1) merchandise specialization, 2) high merchandise quality, 3) good customer service, 4) environmental scanning, 5) longer time perspective in business strategic planning as a way of*

*dealing with perceptions of increased environmental uncertainty.*

#### **The Moderating Effect of the Attitude Toward the Process of Change on the Relationships Between Perceived Business Competencies and Business Strategic Planning**

It has been argued that managers more favorable to the process of change, i.e. more free-market oriented would emphasize a differentiation strategy more than managers with a less favorable attitude toward the change, i.e. more socialist oriented. In order to be successful, a differentiation strategy has to build upon strong business competencies. Hence, it is proposed that:

*H5. Compared to managers less favorable to the process of change, managers more favorable to the change will display a stronger correlation between their perceptions of business competencies and the emphasis put on those strategic elements, which build upon the perceived competencies.*

#### **THE STUDY**

A census of all retail stores concentrated in commercial areas in Sibiu was attempted. The owners of the firms to which each of the stores belonged were contacted in person and asked to fill out a self-administered questionnaire. In the case of firms with a broad area of activity (e.g. manufacturing and wholesaling in addition to retailing or owning stores in different part of the country) the owners were asked to focus their answers on the retail stores they own in Sibiu. In the case of state owned stores or stores run by large private firms from outside Sibiu and for which most decisions were made by the managers, the managers were surveyed. While not all owners/managers could be contacted, the response rate for those who received a questionnaire was 60%. The final sample contained 140 firms/stores of which 94% have Romanian private capital, 6% have foreign capital, and 6% are state owned (some overlap exists in the forms of capital). The firms in the sample own an average of 2 stores in Sibiu and have a median of 50-75% revenues from retail operations. Due to environmental uncertainties many firms are vertical integrated or have a diversity of more or less related activities such as manufacturing and wholesaling. Hence, while 40% of the firms have only retailing

activities, 15% have less than 25% of their revenues come from retailing. The respondents were 38% sole owners, 50% owners in partnership, and 12% employed managers. They have worked with their stores for an average of 3.5 years, have worked in retailing an average of 10 years, and have an average age of 39. 85% do not have an additional job, 49% have a college degree, and 54% are males. No significant response differences have been found between the answers of storeowners and those of employed managers.

## RESULTS

The scales measuring business planning, perceived environmental uncertainty, business competencies, and attitudes toward the process of change were factor analyzed in order to identify important dimensions. The results of the regression analyses used to test hypotheses H1 to H5 are presented in Table 1.

**TABLE 1**  
Regression Coefficients For Business Strategic Planning Variables

Independent Variables	Merchant Spec/Promo	Merchant Quality	Target Spec/Cust. Seg.	Customer Service	Store Environment
<b>Direct influences</b>					
<i>Environmental Uncertainty</i>					
Customer loyalty	-.017	-.007	-.014	.104	-.034
Non-price competition	-.285**	-.086	-.413***	-.158	.005
Economic environment	.052	.038	-.250*	-.094	.085
<i>Business Competencies</i>					
Product /service mix	.166	.107	.176	-.032	.181
Presentation/communication	.035	.015	-.130	.167	.229**
Managerial strength	-.147	-.031	-.069	-.119	-.124
<i>Attitudes</i>					
New values	.020	-.144**	.109	.199*	.104
Quality of life improvement	.187*	.080	-.091	-.192*	.076
<b>Interactions with "New Values" (NV)</b>					
<i>Environmental Uncertainty</i>					
Customer loyalty*NV	-.058	-.246***	-.044	-.290**	-.069
Competition*NV	.163	.330***	.008	.282**	.037
Economic environment*NV	-.009	.112	.264*	-.131	.022
<i>Business Competencies</i>					
Product/service mix*NV	-.218	-.155*	-.071	.030	.007
Present/communication*NV	-.059	.186*	.269	-.118	-.004
Management strength*NV	.147	-.097	-.149	.212	.030
<b>Interactions with "Quality of Life (QOL) improvement"</b>					
<i>Environmental Uncertainty</i>					
Customer loyalty*QOL	.105	.147**	-.192	-.090	.086
Competition*QOL	-.004	-.025	-.122	-.038	.017
Economic environment*QOL	-.099	.073	-.234	.265**	.113
<i>Business Competencies</i>					
Product/service mix*QOL	-.105	.095	-.153	-.046	.105
Present/communication*QOL	-.124	-.087	-.022	.267**	.281**
Management strength*QOL	.042	.136*	.060	-.243*	-.017
<b>R Square</b>					
	.219	.463	.250	.343	.264
<b>Significance F</b>					
	Nx	<.001	Ns	<.05	Ns

\*p<.1 significance for regression coefficients

\*\*p<.05

\*\*\*p<.01

**TABLE 1. (continued)**  
Regression Coefficients For Business Strategic Planning Variables

Independent Variables	Environmental Scanning	Store Operations - Importance		Business Planning Time Horizon - Length of Time	
		Computer Use	High Inv. Levels	Business Objectives	Supply Contracts
<b>Direct influences</b>					
<i>Environmental Uncertainty</i>					
Customer loyalty	-.047	.000	.022	-.047	-.204*
Non-price competition	-.247	-.335***	-.198	-.050	-.123
Economic environment	-.152	.068	-.079	.164	.136
<i>Business Competencies</i>					
Product/service mix	-.091	.023	-.212	-.059	.154
Presentation/communication	.152	.558***	.266	.289**	.132
Managerial strength	-.178	-.051	.172	.461***	.167
<i>Attitudes</i>					
New values	-.183	.262**	-.538***	.293**	.245**
Quality of life improvement	.233**	.228*	-.024	.020	.023
<b>Interaction with "New Values" (NV)</b>					
<i>Environment Uncertainty</i>					
Customer loyalty*NV	-.301**	-.119	-.043	-.330*	.184
Competition*NV	.307**	.204	-.007	-.315*	.085
Economic environment*NV	-.026	-.146	.221	-.033	.237
<i>Business Competencies</i>					
Product/service mix*NV	.010	.026	.216	-.057	-.115
Present/communication*NV	-.166	-.237	-.230	.256	.195
Management strength*NV	.007	-.028	.028	.224	-.179
<b>Interactions with "Quality of Life Improvement" (QOL)</b>					
<i>Environment Uncertainty</i>					
Customer loyalty*QOL	.151	.258*	.463**	.162	.274*
Competition*QOL	.031	-.017	-.362*	-.173	-.036
Economic environment*QOL	-.073	-.193	-.145	.094	.365***
<i>Business Competencies</i>					
Product/service mix*QOL	.104	-.044	.050	.168	.172
Present/Communication*QOL	-.191	.163	-.004	-.450**	-.294*
Management strength*QOL	.157	-.035	.540***	.117	.207
<b>R Square</b>	.323	.442	.374	.506	.473
<b>Significance F</b>	<.1	<.001	<.05	<.01	<.01

\*p<.1 significance for regression coefficients    \*\* p<.05    \*\*\* p<.01

Hypothesis H1 states that the more environmental uncertainty managers perceive the less they will emphasize merchandise specialization, environmental scanning, and investment in modern equipment, the lower their inventory levels and the shorter their business planning time horizon will be. The results generally support this hypothesis. Still, it

seems that uncertainty related to competition has the strongest influence on business planning, while uncertainty related to customers and economic environment has little influence. Results show that managers who perceived high non-price competition uncertainty are less likely to emphasize merchandise specialization/promotion, targeting specific customer

segments, environmental scanning, and computer use in the future. In terms of business planning time horizon, managers who perceive high customer-loyalty uncertainty have marginally shorter time horizon in establishing supply contracts. No differences resulted for inventory levels and business objectives planning time.

Hypothesis H2 states that managers who perceive to have business competencies in terms of merchandise-mix, service, communication with customers, or managerial skills would be more likely to emphasize merchandise specialization and quality, customer service, and attractive store environment in the future, would be more likely to invest in modern equipment and would have a longer time perspective in business strategic planning. Results support the last three points of these hypotheses (H2d to H2f) but do not support the first three points (H2a to H2c). There is no evidence that managers with higher perceived business competency on any dimension would emphasize merchandise specialization, merchandise quality, or customer's service. In addition, it seems that a perceived superior competency in product-service mix does not have an influence on business planning variables. On the other hand, managers perceiving a superior competitive advantage in store presentation and communication are more likely to emphasize an attractive store environment in the future. They also seem to be more likely to consider computer use as important. In addition, managers perceiving a superior competency in store presentation/communication and superior managerial skills are likely to have longer time horizons in planning their business objectives.

The third advanced hypothesis proposes that manager with different attitudes toward the process of change emphasize strategic areas in business planning differently, with managers more free market oriented emphasizing more merchandise specialization and quality, customer service, environmental scanning, and investment in modern equipment. Also, managers who have more conservative attitudes (i.e. more socialist oriented) will emphasize more the need for maintaining high inventory levels and will have shorter planning time horizons. While the hypothesis is confirmed on the dimensions concerning the environmental scanning, store operation, and planning time horizon (H3d to H3g), results concerning the retail-mix (J3a to H3c) are controversial. In addition, the two dimensions of attitude change gave different results. Managers who embrace more the new value system are significantly more likely to emphasize computer use, lower

inventory levels, and have longer business planning time horizon, both in terms of business objectives and supply contracts. However, they are only marginally more likely to emphasize customer service and are actually significantly less likely to consider merchandise quality as an important factor. On the second dimension, managers who believe more in the quality of life improvement are more likely to emphasize merchandise specialization and promotion, environmental scanning and computer use. Still, in the same time, they seem to put less emphasis on customer service; this is in contradiction with the tendency of managers who embraced more the new value system to put more emphasis on customer service (still, these findings are only marginally significant).

Hypothesis H4 concerns the moderating effect of attitudes on the environmental uncertainty – business-planning relationships. The results show that managers' attitudes toward the process of change do affect the way in which managers respond through business planning to perceptions of environmental uncertainties but the direction of responses is ambiguous, being different for the different dimensions of environmental uncertainty. More specifically, H4a is marginally supported by the fact that managers more favorable to change seem to respond to perceptions of higher economic-environment uncertainty by putting more emphasis on targeting specific customer segments than do the less favorable managers. H4b, stating that managers more favorable to change will answer to increased perceived environmental uncertainty by emphasizing merchandise quality, is confirmed for managers with stronger beliefs in quality of life improvement, who perceive more customer-loyalty uncertainty, and for managers who embrace more the new value system and perceive more non-price competition uncertainty. Still, the opposite, i.e. less emphasis on merchandise quality, seems to be true for managers who embrace more the new value system and who perceive high customer-loyalty uncertainty. The same applies to customer service (H4c). Managers who have stronger beliefs in quality of life improvement and who perceive high economic-environment uncertainty and managers who embrace more the new values and who perceive high non-price competition uncertainty seem to emphasize more customer service while managers who embrace more the new values and who perceive more customer-loyalty uncertainty seem to emphasize less customer service. Further, managers who embrace more the new value system and perceive more uncertainty concerning the non-price competition seem to emphasize more environmental scanning (supporting H4d), while

those perceiving more customer-loyalty uncertainty seem to emphasize it less. Finally, for H4c, managers who believe more in quality of life improvement and who perceive high customer-loyalty and economic environment uncertainty are likely to have longer time horizons for supply contracts. However, in terms of business objectives, managers who embrace more the new values and perceive high customer-loyalty and non-price competition uncertainty seem to have shorter planning time horizons than managers embracing the new value less.

Hypothesis H5 is generally not supported. The only relevant significant finding is that compared to managers who believe less in quality of life improvement, managers who believe more and who perceive that they have a superior competency in store presentation/communication are more likely to emphasize customer service and attractive store environment.

## DISCUSSION

The present paper explored the factors, which influence the business strategic planning of small retailers operating in a privatizing economy. An empirical exploratory study tested hypotheses concerning interactions between business strategic planning and managers' perceptions of environmental uncertainties, perceptions of business competencies, and attitudes toward the process of change. Of the three general factors proposed to affect business strategic planning, it seems that managers' attitudes toward the process of change have the strongest influence. Across all regression analyses, for all business strategy variables, half of the regression coefficients for attitude variables were significant. The next group of factors in terms of influential power seem to be environmental uncertainty perceptions (20% significant regression coefficients) and, on the last place, perceived business competencies (13% significant coefficients). Attitudes seem to also have an important moderating effect on the way managers design strategies in response to perceived environmental uncertainties – a fourth of the regression coefficients for attitude-environment interaction variables were significant. However, almost no moderating effect was found for the perceived business competencies – business strategic planning relationships. Hence, three general conclusions may be that, (1) the degree to which manager favor the new free-market system and embrace its values affects their way of doing business, (2) managers attitudes act as a filter through which they perceive and respond to the external

environment, and (3) in developing business strategies, managers are first concerned with responding to environmental uncertainties and then with enhancing business competencies.

Concerning the environmental uncertainty – business strategic planning relationships (H1), it seems that managers are most concerned with non-price competition uncertainty which has a negative influence on merchandise specialization, environmental scanning, and investment in modern equipment. Hence, it seems that competition and not customer uncertainty is the most important factor in following a low cost-low specialization (high flexibility) strategy. Still, bringing into analysis the moderating effect of attitudes toward the process of change (H4), findings how differentiated responses across the different environmental dimensions is important. Managers who embrace to a high degree the values of the free-market system respond with a stronger differentiation strategy (enhanced service, merchandise quality, and information effort) to non-price competition uncertainty, but with a stronger low cost strategy (less merchandise quality, less service, less information effort) to customer-loyalty uncertainty than managers who are more socialist oriented. Hence, it may be concluded that managers who are more free-market oriented consider competition uncertainty more as a game in which one needs to outperform the others but customer uncertainty more as a threat which needs to be avoided. Another interesting finding is that a sheer belief in quality of life improvement, i.e. an optimistic perspective on the future, makes managers respond with enhanced merchandise quality to customer-loyalty uncertainty and with enhanced customer service to economic-environment uncertainty. It seems that trust in the future national development is linked to a belief that present problems can be solved through better customer satisfaction by offering good quality and service, two elements quite neglected in socialism. The same trust and optimism in the future is manifested through a longer time perspective in establishing supply contracts; this may be a sign of stronger business relations. Finally, managers' perceptions of superior business competencies seem to influence only the importance placed on store environment, as a marketing-mix strategic element (H2). This may be because store environment, including fixtures, merchandise layout, and atmospherics is the best indicator of professionalism in business management for Eastern European customers. In addition, the increased importance placed on computers and longer time perspective in setting business objectives, may support the same theme that managers with perceived

business competencies are more committed to their business and have a stronger self-image of professional business people.

#### LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The present research represents a first attempt to understand the role played by managers' attitudes in shaping the business strategy of firms operating in an environment characterized by high socio-economic changes and by high uncertainty. An exploratory study has been conducted in a limited geographic area, on a limited sample of owner/managers of retail stores. The scales used to measure the theoretical concepts of interest were created or adapted from scales developed in USA and therefore it is difficult to assess their reliability and validity. Furthermore, self-reports were used as a method for collecting the data. Hence, social desirability may be an important problem in interpreting the results. Still, despite the low statistical power (due to the small sample) and generally low variance in responses (maybe due to social desirability) interesting significant findings have resulted, which suggests that larger scale surveys may lead to stronger statistical significant relationships for the advanced hypotheses. All these represent both imitations for the present study and opportunities for improvement in further research.

Shiller et al. (1991) suggested that attitudes, moral, and understandings of people are important barriers to the success of free markets. It would seem that confidence in and identification with a market driven economy is a very important motivational need for business success. Therefore, it is suggested that additional research address the link between managers' attitudes toward the changes taking place in privatizing economies, specifically their free-market orientation, and the business performance of the firm, an important factor not considered in the present study. In addition, due to important managerial implications, research should also analyze in more depth the relationships between attitudes, perceptions of environmental uncertainties and business strategic planning. For example, the present study suggests that managers less free-market oriented would maintain higher inventory levels, would invest less in modern equipment such as computers and would have a shorter time perspective in business planning. It also suggests that differentiation competitive strategies are less employed than low cost strategies as an away of coping with environmental uncertainties. Still, all these elements may be important factors for business performance, and results of more rigorous research in these areas may aid the training of new vendors, training that is presently done in small business incubator centers in Romania.

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# RUSSIAN NATIONAL CHARACTER: AN APPLICATION OF CLARK'S COMPREHENSIVE FRAMEWORK

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## ABSTRACT

This paper addresses Russian national character in the context of motivating factors in the decision-making process as applied to marketing. Russia has a long history of autocracy, collectivism, and complexity that make it a "riddle wrapped in a mystery inside an enigma" to most global marketers. Clark's (1990) comprehensive framework for assessing national character is used to develop a series of propositions for understanding strategic and consumer decision-making, as it relates to marketing in Russia. The propositions are positioned on a framework similar to Clark's initial framework so that a comparison can be made between the "Comprehensive Framework for the Assessment of National Character" and the resulting framework "Russian National Character in the Marketplace."

Characterizing Dimensions of Consumers: Relations to Authority. Despite the acceptance of an all powerful authority figure in politics and business, Russians will state that they disapprove of it. The use of authority figures to promote products would not work well in Russia because although authority figures are accepted in politics and business, they are unwelcome in personal decision-making. Authority figures are actually diffusion inhibitors. Relations to Self. Two different patterns of behavior and ethics exist for most Russians. One for personal relationships that is based on openness and honesty, and one for business relationships, which is based on deception (Puffer and Associates, 1996). Russians exhibit high collectivism and femininity within their defined groups but as they move further into society as a whole these traits dissipate. Relation to Risk. Rules appear to provide Russians something to complain about. However, they find a certain level of security and comfort in the extreme detail of rules. Propensity to Change. Activity and change in Russia take place in quick, intense, and explosive spurts followed by long periods of lethargy. It is expected that consumer purchase behavior would be the same in the marketplace with products being adapted by the population at an explosive rate.

Characterizing Dimensions of Decision Makers: Flexibility, Need to Achieve, and Locus of Control. Soviet managers had a relatively clear-cut understanding of their responsibilities at the political, managerial, and social levels (Shama, 1994). The average Russian manager is presently trapped in limbo between a command and market economy and is unsure of which direction it is moving. Russian managers do not have a clear understanding of their span and scale of responsibility, power, and control and due to the extreme environment in Russia. As a result, Russian businesspersons view survival as achievement and flexibility as omnipotent.

Elements of Culture: Material Culture. Moving throughout the country it is possible to recognize three competitive and coexisting cultures in Russia today. These three co-existing societies exhibit different demand patterns. Social Institutions. Russians strongly emphasize education and value intellectual prowess. The use of intellectuals or credentialed spokespeople positively influences purchase intentions in Russia. Beliefs. Despite the strong influence of conservative Orthodoxy in Russia, Russians look to the group for their spirituality and seem to lack the tendency for guilt and shame about ineptness (Peabody 1985). Guilt or shame is not effective methods of motivating purchases with Russian consumers. Aesthetic Systems. Russians are exceptionally proud of their contributions to music, art, dance, and literature. Throughout society regardless of the education, economic, or social level, artistic culture is appreciated. Literary and artistic references are effective methods for promoting products in Russia. Language. Russian language is complex, formal, and eloquent. It is often debated whether language is reflective of culture or culture is reflective of language. It may be more appropriate to accept both statements as truth. Informal language is considered inappropriate in direct communication with consumers.

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# SERVICES MARKETING: CPA VIEWS OF ADVERTISING IN GEOGRAPHIC REGIONS

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## ABSTRACT

The single event that helped bring about change in advertising for the accounting profession was a June 1977 court case, *Bates v. State Bar of Arizona*, ruling that the legal profession's ban on advertising was unconstitutional. Because of this ruling, the AICPA banned a portion of Rule 502, which restrained advertising by CPAs. In 1985, the Federal Trade Commission (FTC) and the AICPA came to an agreement that allowed accountants to advertise in a completely unrestricted manner, provided that advertising was not false or deceptive as defined by Sec. 5 of the FTC Act.

This study was based on the population of Certified Public Accountants (CPAs) whose offices were in one of two major metropolitan areas in the United States, Memphis or Denver. In total, 275 original surveys were mailed successfully (not returned due to nondeliverable addresses) and 110 usable surveys were returned. The questionnaire used in this study had items to measure demographic dimensions and a 25-item index for measuring respondents' attitudes toward advertising by accountants.

The purpose of this study is to determine accountants' viewpoints concerning advertising, in order to better provide advertising services to CPAs. More specifically, the purpose of this study is to determine whether accountants in two geographical areas, Memphis and Denver, have differing views of advertising. The results could indicate that cities located in the western maintain regions of the country maintain more liberal opinions of advertising by professional accountants. Another question to be considered is whether differences are revealed in the attitudes toward advertising based on selected demographic variables.

Based on this research, one may conclude that there are generally no statistical differences regarding the opinions of advertising by accountants between the two metropolitan areas of Memphis and Denver. Certified Public Accountants generally have a positive attitude toward advertising by the profession. This attitude, however, may be shaped by certain demographic characteristics. One such characteristic that impacts an accountant's views is the number of years in the profession.

The fact that there are no differences between the metropolitan areas can provide valuable information to national firms. These firms may be satisfied that, overall, employee attitudes toward advertising will be consistent among different locations. Because accountants have generally the same attitudes, firms may develop national advertisements with which employees in various locations would be comfortable. The fact that accountants' attitudes toward advertising are generally the same in different geographic regions might also indicate that consistency exists about many other topics in accounting.

The consistency of accountants' attitudes brings up the question of whether this concept would apply to other professional areas. Many studies have looked at the differences in attitudes between accountants, physicians, and lawyers. A future study might sample other professions in different geographical areas to determine if consistency exists within a specific profession.

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# ASIAN INDIAN IMMIGRANTS: SEGMENTATION TYPOLOGY AND BRAND CONCEPT

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## ABSTRACT

*The Asian Indian community is a rapidly growing consumer group. This segment is unique in terms of its culture, background, value systems, and spending and saving patterns. This paper describes the general characteristics of Asian India immigrants and offers a segmentation typology. Finally, research propositions for influencing buying behavior of these segments through the application of appropriate brand concepts (functional, symbolic and experiential) are developed.*

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### ASIAN INDIAN IMMIGRANTS: BACKGROUND

America is becoming a very diverse ethnic society. There are inter-group and intra-group differences between and within the various ethnic segments in America (Queralt 1996). Data from the 1990 census indicates that of the approximate seven million Asian Americans, little over eight hundred thousand are Asian Indians. Although Asian Americans are one of the fastest growing groups in the U.S.—primarily through immigration—there is very little research done on this segment. Additionally, the various population segments within the Asian American category have been grouped together as one homogenous population, which distorts the differences between various Asian groups. There are inter-group differences in language, culture, past experiences and immigration history and to some extent, differences in their experiences as immigrants in the U.S. There is also intra-group variability with regard to their characteristics, their experiences in the U.S. based on the generation (first, second or third), occupation, income level and area for settlement in North America (Kitano 1994).

Most of the immigrants who came from India, after the immigration reform of 1965, were salaried professionals with degrees in medicine, nursing, management, economics, or engineering (Ng and Wilson 1995; Saran 1985). Because of their educational and professional backgrounds, fluency in English, work ethic, and ambition, Indian immigrants have not experienced serious difficulties in finding employment. The primary Indian

immigrants have been men in the age range of twenty to thirty five years. Once they establish themselves, they sponsor their wives, children, and blood relatives (parents and siblings). Relatively few women come to the U.S. as primary migrants from India (Lessinger 1995).

### GENERAL CHARACTERISTICS OF ASIAN INDIAN IMMIGRANTS (AII)

Some common characteristics of the AII population are as follows:

1. There are permanent Indian communities - not geographically isolated or segregated - in the U.S. because of the high rate of immigration by Indians.
2. Most AII are in their mid 30s and early 40s and the average size of the family is usually not larger than four.
3. There are many highly educated Indians who are heavily concentrated in various professions in the U.S.
4. The economic and employment status of these immigrants is quite satisfactory. They remain savings-oriented and in many cases have made good investments.
5. The attainment of high educational qualifications is an important goal.
6. Their leisure time activities are centered around Indian friends and organizations. Close friendships and visiting patterns often involves people coming from the same region and language group.
7. Many AII consider family and friends a source of strength during times of strain.

8. Preference is shown for Indian food and native India languages, but the AII also show great tolerance for differences and variety in these areas (Saran 1985).

### SEGMENTATION TYPOLOGY

Based on the sense of identity and chronological age of the Asian Indian immigrants, we have developed a typology that could be useful for marketers.

*First Generation Elderly:* They normally come with, or arrive after their adult children have migrated to the U.S. They normally are very conscious of their Indian identity and want to keep it in tact. They may resist new values and live as "marginals" in American Society.

*First Generation Adults/Adult Children:* They are young males who come to the U.S. to pursue higher education and/ or a profession. Initially, their sense of identity may be similar to that of their parents' who may have migrated with them or after them to the U.S. But after staying and working in American for a certain period of time, they may maintain their Indian identity and simultaneously accept new values as well. In other words, they may consider themselves as part of the American mainstream society. This is more of a "controlled acculturation" where these immigrants seem to maintain the continuity of some of the traditional patterns as well as adopt some new American patterns.

*Second Generation children:* They include young Indians in schools and colleges. They are more willing to think of themselves as Asians as well as Indian Americans. They face some struggles within their families as they try to establish their own identity independent from their parents'. The erotically charged American youth culture frightens many Indian immigrant parents deeply, and many do their best to keep their children, particularly girls, away from such influences (Dasgupta 1989; Kalavar 1998; Lessinger 1995; Saran 1985).

*"Twice Migrant":* During the 19<sup>th</sup> century, many Indians migrated to countries in Africa, Canada, Britain, Middle East, the Caribbean and Latin America. Today, some of these Indo-Africans, Indo-Caribbean and Indians from other countries have migrated to the U.S. They are not only influenced by their Indian heritage, but also by the cultures in Africa, Canada, Britain and Latin America.

Immigrants from these countries have developed more of a pan-ethnic identity, stressing the cultural attributes that Indian immigrants share with immigrant population from other parts of the world. This group is often overlooked in the census as well as by the marketing department of corporations (Lessinger 1995).

Successful marketing to various segments of AII and their children entails a thorough understanding of their uniqueness. An effective branding strategy can position a firm to develop and maintain a sustainable competitive advantage.

### BRANDING

#### Importance of Branding

The use of brands has become common and strategies have evolved considerably in the latter part of the twentieth century. According to Aaker (1991, p. 7), "a brand is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify the goods or services of either seller or a group of sellers and to differentiate those goods from those of competitors." From the consumer's view point, a brand provides a visible representation of difference(s) between products. A brand conveys an image or meaning, which has been established on the basis of unique product attributes, packaging, distribution, advertising, names and symbols. Brands allow consumers to "shop" with confidence in an increasingly complex world.

#### Brand Concept

A brand concept is based on the consumer need(s) that a brand can satisfy. Park, Jaworski and MacInnis (1986) have identified three consumer needs - functional, symbolic and experiential. Each of these three concepts is discussed here.

*Functional Concept.* Brands with a functional concept are valued primarily for their functional performance. Park, et al. (1986) define a brand with a functional concept as one designed to solve externally generated consumption needs. Consumers will be motivated to buy and use functional brands in situations where the product is viewed as addressing utilitarian needs. For example, Park, Millberg and Lawson (1991) in their study used Timex wristwatch as a brand with a functional concept. A brand that is being bought purely to solve consumption related problems will be judged on the basis of its

performance. Hyundai Excel, for instance, would provide satisfaction to a consumer if it gives good gas mileage and has low maintenance cost. Chlorox Bleach and Vaseline Petroleum Jelly are examples of brands with a functional concept (Park, Jaworski and MacInnis, 1986).

*Symbolic Concept.* Consumers buy certain products because of the personal and social meaning associated with the brand. Levy (1959, p. 118) points out that "people buy things not only for what they can do, but also for what they mean." Thus a consumer may buy a Cadillac because it represents success and prestige. The meaning attached to symbols are culturally determined and is shared by members of a particular society. Park, et al. (1986) define a brand with a symbolic concept as one designed to associate the individual with a desired group, role, or self-image. For example Lenox China with its theme of "A World Apart," "Let it Express Your World," would be considered a brand with a symbolic concept.

*Experiential Concept.* The primary motivation for selecting certain products is the enjoyment that is derived by the consumers from this consumption of these products. Park, et al., (1986) define a brand with an experiential concept as one designed to fulfill internally generated need for stimulation and/or variety. Hirschman (1982) recognize the fact that "fantasies, feelings and fun" are also vital consumption phenomena, which they call the "experiential view". Woods (1961) maintains that this perceived opportunity for enjoyment is an end in itself. In choosing experiential brands consumers do not usually go through an elaborated pre-purchase search. Impulse purchase or spur of the moment actions might influence their decisions. The driving force behind brand choice is the desire to experience sensory pleasure or cognitive stimulation.

**PROPOSITIONS FOR FUTURE RESEARCH:  
APPLICATION OF BRAND CONCEPTS TO  
THE ASIAN INDIAN IMMIGRANT  
POPULATION**

When targeting the AII segment, a firm can decide on the type of need (three mentioned in the preceding section) that it wants to fulfill. Based on the needs being addressed, through effective positioning and communications, the firm can convey the brand concept to the AII segments. In all likelihood, the application of appropriate brand concept could generate a positive response from

potential consumers in this segment. We have developed the following propositions, which could be studied and tested by market researchers in the future.

**Proposition I: First Generation Elderly**

Brands having a functional concept are more likely to appeal to this segment. This generation is concerned more about the utility of the products that they buy and are not that concerned with ego-identification or status when they choose brands. Having come from a different culture, this segment may not make purchases for cultural or social meanings but they would for the utilitarian value of the goods and services.

**Proposition II: First Generation Adults**

This segment will favorably evaluate brands that have a functional or symbolic concept. Initial immigrants, who may experience paucity of finances during the early stages of acculturation may use the functional concepts of brands in making their purchases. However, over time, they can and do move to making purchases on symbolic basis as well. As this generation advances professionally and financially in their jobs, their consumption patterns may start exhibiting success and prestige besides fulfilling a utilitarian value. In other words, the product and services they purchase will exhibit personal and social meaning to this segment.

**Proposition III: Second Generation Children**

This segment will favorably evaluate brands that have a symbolic or experiential concept. Having been born and raised in the U.S., this generation's consumption patterns will be akin to their counterparts in the American culture. Teenagers and young adults make purchases, to a large extent, based on the symbolic meaning it offers as well as its experiential value. In other words, this segment may buy goods and services based on the meanings they represent, as well as the enjoyment or stimulation they provide. This generation may not go through extensive pre-purchase searches, but may buy based on impulse.

**Proposition IV: Twice Migrants**

This segment will evaluate brands with different concepts (functional, symbolic and

experiential) on the basis of the underlying product and their past experience. Because this segment migrated to other parts of the world before coming to the U.S., many variables may affect the purchasing behavior of the first and second-generation immigrants of Indian decent. For instance, their consumption habits in other countries (e.g., South Africa, the Caribbean) they migrated to before coming to the U.S. could play a role in their buying behaviors here.

In conclusion, we propose that marketers, ideally, should recognize the differences in the consumption patterns of these segments and position their brands accordingly to make the most impact on the buying behaviors of the Asian Indian immigrants. We would like to recommend the development of similar typologies for other immigrant groups so that marketers can target the various segments more precisely.

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# THE EFFECTS OF FREQUENCY, RECENCY, AND ACADEMIC PROWESS AS MODERATORS OF SERVICE QUALITY EVALUATIONS FOR COLLEGIATE ACADEMIC ADVISING: AN EXPLORATORY STUDY

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## ABSTRACT

The academic advising process is a significant service-based component in higher education, and advising is likely to be a principal factor in facilitating the academic integration and subsequent success of students. Thus, faculty and administrators together have an interest in improving the efficacy of the academic advising process. By understanding first-year students' expectations and subsequent perceptions, institutions may be able to take beneficial measures to provide improved service quality. Institutions are becoming increasingly aware that they are in the service quality business and students resemble customers in many ways.

Research has suggested that advising outcome improves as advisor-advisee relationships are strengthened through frequent contact, but does this relationship hold with respect to service quality? That is, are service quality ratings of advising (positively or negatively) influenced by frequency or perhaps other related variables, such as recency and academic prowess? This study reports an examination of the moderating effects of three situational variables – advising frequency, advising recency, and student academic prowess – on student service quality evaluations.

Findings suggest that advising frequency and recency have a positive relationship with service quality evaluation, while academic prowess has a negative relationship. Advisement frequency had the strongest influence of the variables investigated, implying that strong relationship-building efforts may pay dividends, although this did not hold for all students. Students with lower GPAs required more advising assistance than high GPA students did. Finally, because recency was found to influence service quality ratings, researchers would be well advised to control for recency in any on-going program of service quality evaluation.

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# AN ABC MODEL OF CONSUMER BEHAVIOR: A CLASSROOM APPLICATION

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## ABSTRACT

*Classic consumer behavior theory can be used to understand student behavior and improve classroom outcomes. We suggest that student evaluation of, and performance in, a class is a function of the students' attitudes, behaviors, and cognitions related to elements of the class. This paper presents a model for a new approach to classroom assessment and discusses the benefits of using this approach.*

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## INTRODUCTION

Classroom evaluation and professor performance have long been areas of considerable interest to both faculty members, as teachers and researchers, and to administrators. The primary tool used to assess the classroom has been the end-of-term student evaluations of the faculty member. These are often simply multiple-choice instruments of no more than ten items. Peer evaluations have also been used to assess "teacher performance". Ostensibly, these evaluations may be used by the professor to improve his/her course. Practically, they are used mostly by administrators to make recommendations on salary matters as well as on tenure and promotion. They are rarely a measure of "quality". They more frequently are seen as "popularity" measures.

If classroom evaluation is to truly be used as an assessment tool to improve the quality of the classroom experience, we believe that the current, typical, approach is flawed. The typical approach simply assesses one aspect of the classroom – the professor. Traditional approaches to customer satisfaction and to quality, and indeed to measurement as a purely scientific process, stress a broader understanding including multiple measures for indicators.

We are proposing a new approach to evaluating a classroom experience. This new approach suggests that we look at a classroom the way that we look at marketing in general, and customer behavior in particular. The goal of marketing is to provide value to the customer in order to create a satisfactory exchange that will lead to a long-term relationship. We first seek to understand both customer needs and behavior and then we design the marketing mix to best appeal to the

customer. After we make the offering, we follow-up with additional research seeking to understand whether our approach worked and what modifications must be made.

In this paper we seek to apply the marketing concept, as described above, to classroom assessment. As faculty members, we should be able to understand student behaviors and attitudes and then design our course with the objective of maximizing student learning. We are proposing that student evaluation of a class (and ultimately their own performance in the class) is a function of three concepts: the student's affect toward the components of the class, the student's behavior with respect to components of the class, and the student's cognitions (beliefs) about components of the class. This approach goes beyond merely looking at professor performance, but also assesses other components of the class such as handouts, homework, group assignments, exams, etc.

The genesis of this research was the frustration experienced by a seasoned professor of marketing. The frustration resulted from an indication of a low degree of student learning in the course and a desire to understand the variables underlying students' perceived lack of learning.

This paper presents a model, based on classic consumer behavior theory, for this approach to classroom assessment, discusses the operationalization of items in the model, and discusses the benefits of using this approach. Ultimately we believe that this approach will provide greater value, compared to traditional assessment approaches, to the professor. This approach also provides value to the student – something that other assessment methods have failed to do.

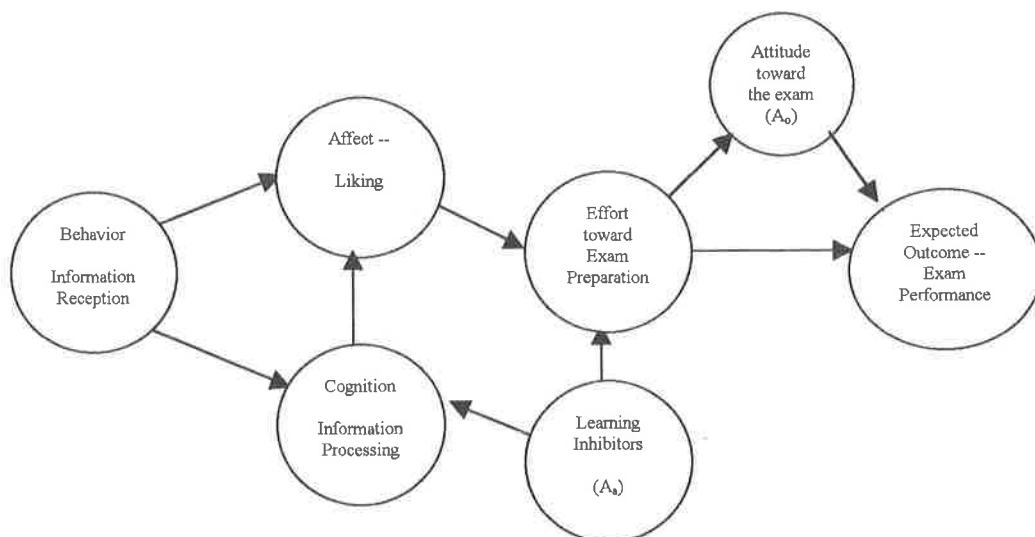
## THE MODEL

Consumer behavior from the "biased" perspective of a professor is that all students are capable – if they simply "applied" themselves they would learn. The student's perspective is more complex. Reaching into the basics of customer behavior we find many concepts that are applicable to the student behavior (Bettman 1979; Engel, Blackwell and Miniard 1986; Howard and Sheth 1969; Nicosia 1966; Nord and Peter 1980; Zajonc and Markus 1982). The model we propose started by considering the student perspectives that we see in our courses. One perspective comes from students who approach each or most courses with the thought that there might be something interesting and/or useful in the course. Therefore, as a student, they pay attention to find the useful and/or interesting material. Another perspective comes from students who are just counting the courses until the degree is granted. These students perceive a course as just another item that must be completed, one where they must go through the motions. The two groups of students are believed to be comparable to consumers who are looking at the same product, one in a high involvement mode and one in a lower involvement mode (Antil 1984; Krugman 1965; Munch and Hunt 1984). In each case a student starts in a state of information collection, with the intent of subsequent behavior that leads to a desired outcome. To the student, the outcome is either doing well in a course or just completing it. The above perspective led to the model proposed in Figure 1.

Our belief is that if, through student assessment, we can better understand what there is in a course that helps students learn, then we can better structure the course to increase student learning. We believe that if we used the model in Figure 1 as part of the course assessment tool we could seek to achieve behavior modification (Nord and Peter 1980) of both the professor and the student. We, as professors, would adjust material in the course to improve learning. The student would perceive the changes in courses as opportunities to improve learning and hopefully achieve a better grade. Because consumer behavior research focuses heavily of the information-processing paradigm (Bagozzi 1991), we believe our model is a reasonable depiction of student behavior toward a course.

The model in Figure 1 is a derivative of, and a parallel to, two consumer behavior models (Cohen and Arni 1991; Engel, Blackwell, and Miniard 1986). The model starts with what the consumer behavior models generally identify as the marketer providing input stimulus to the consumer. We interpret that as the receipt of information from a number of sources in a course. Examples would be the textbook, the Power Point slides, or the class discussion. These stimuli cause changes in both the cognitive and affective constructs. The change in the cognitive construct also influences changes in the affect construct. The model then leads to behavioral changes such as how a student performs on an exam.

**FIGURE 1**  
A Conceptual Model of Student Consumer Behavior in a Course



That performance by a student on an exam subsequently yields an expected outcome (grade).

The involvement concept is in the model but not diagramed. Engel, Blackwell, and Miniard, (1986) suggest that involvement, or the motivational state during the message (information) processing, will influence how the message is accepted. This theme, that the perceived personal relevance of a communication influences involvement and the information processing (Krugman 1965, 1966; Petty, Unnava, and Strathman 1991), is a cornerstone of consumer behavior, which differentiates customers, and in this case students.

Zajonc and Markus (1982) indicate that to change preference and behavior it is first necessary to identify the customer characteristics, and then change the evaluation of those characteristics. For students that means knowing their behavior patterns. Students are known to have many priorities that occupy their time and energy influencing their behavioral patterns. This fact is no different than the variations in involvement as consumers purchase different products (Peter and Olsen 1987). As professors we believe our course should be a high priority, but for students there are other courses, jobs that pay for tuition and living, plus a multitude of other distractions. Therefore we wanted to include the concept of involvement in our research. The concept was included in two ways. First, we evaluated the course tools and activities in which a student could be involved, ie. Powerpoint slides, textbook, class discussion, homework, and exams. Second, we also considered how those activities and tools could be used by students. These activities and tools incorporated a breadth of methods including the printing of Powerpoint slides available on the Internet. This activity requires little effort, low involvement, and no learning. But, printing the slides could assist in learning by integrating the slides into class notes and class discussion (a higher level of involvement). Another way the level of involvement was evaluated was by the frequency or regularity with which the respondent indicated that they did these activities. The scale on each question was a five point Likert type scale from "always" to "never". Therefore, all the concepts in the model were operationalized with the activities, learning tools, and assessment tools used in our courses. Also, the degree of involvement was incorporated in each concept and question through the type of activity and the frequency of activity.

## Major Model Concepts

The first concept in our model is a behavioral concept that could lead to learning. The concept is a parallel of the reception of marketing stimuli and source information in consumer behavior models (Cohen and Arnei 1991; Engel, Blackwell, and Miniard 1986). The concept is similar to the principle that if the TV is not turned on the customer cannot be influenced by the commercial. To identify the exposure to course information students were asked to respond to statements such as, "I printed the Power Point slides", and "I read the text". A scale indicating the frequency with which the student participated in the activity accompanied each statement.

The information received is processed into beliefs or the understanding of concepts and course tools in the cognitive concept in Figure 1. One of the names applied to the process in the cognitive concept is learning theory. Learning theory is more completely discussed in Shimp (1991), Engel, Blackwell, and Miniard (1986), and Sheth, Mittal, and Newman (1999). The cognitive concept is also recognized as knowledge, or beliefs, stored in our memory. That could include physical, social or strategic knowledge including benefits associated with an object or act, such as the text and reading the text. The cognitive concept was operationalized in this study by asking the respondent to evaluate their understanding of course tools and material. Examples of this concept can be seen in several sections of the survey: in the text section of the survey, "Helped me understand the course concepts" and class discussion section "Helped me understand the course concepts" and "Has clarified my thinking". Each statement was again evaluated on a five point Likert type scale with the endpoints of "strongly agree" to "strongly disagree".

The affect concept is a liking or an emotional state (Engel, Blackwell, and Miniard 1986). Cohen and Arnei (1991) indicate the concept is best employed as a general descriptor of a feeling state. Zajonc and Markus (1982) indicate that the affect toward an object is increased by direct experience or mere exposure. Therefore the frequency that the behavioral (information) exposure occurred in the first concept should positively be reflected in the attitude toward the object. We operationalized the affect concept with questions such as the project "takes too much of my time", class discussion "Has been helpful", and "I thought the exam allowed me to express what I have learned in class thus far". Each of these statements was also

evaluated on a five point Likert scale with end points of "strongly agree" to "strongly disagree".

The next concept in the model for students is a cross between intentions, prepurchase, and purchase. Following the affect concept in consumer behavior models is a range of concepts, which ultimately lead to purchase. The concept is frequently used as an intention (Engel, Blackwell, and Miniard 1986). However, we wanted to assess the students after the midterm exam; this type of assessment comes closer to post purchase satisfaction or dissonance than intention. Therefore we have two concepts in the model. The first is the behavior/effort in preparing or completing the examination. The concept considers the activities and objects used by the student (behavior) in preparing/completing the take-home exam. The concept was operationalized with three questions aimed at the assessment of whether the students used certain tools in preparing the exam. The questions were: I used (my class notes/text/feedback on homework) in preparing my response to the exam. The statement was evaluated on a five point Likert type scale with the endpoint of "Extensively" to "Not at all". The second concept more closely parallels post purchase evaluation by asking the student to indicate the grade they feel they earned on the exam. The question was a 100-point open-ended format.

Three questions at the end of the questionnaire sought information on a perceived source of learning inhibitors. Three sources were global in nature rather than activity or tool specific. The first source listed was the professor. Although no prior questions had identified teaching characteristics, or personality traits, which might be problematic to students, we felt this question would at least offer students the opportunity to place the "learning inhibitor" on someone other than himself or herself. The second global question sought whether the source of learning inhibitors was in the structure of the course. The third global source question indicated the learning inhibitor problem was with the student. This question allowed the student to recognize that they needed to put forth more effort, or to recognize their priorities need to change or that current priorities were not allowing them to demonstrate their full potential. In consumer behavior and marketing we might parallel these questions toward the salesperson, the atmosphere of the store, and/or the preparation of the customer to make a good decision relative to the product.

## BENEFITS OF THIS APPROACH

As stated earlier, we believe that most classroom assessment efforts suffer from at least two shortcomings. First, they tend to have a restricted range, focusing on only one or two factors that, for the most part, have led to a lack of success in improving collegiate learning. Angelo (1999) and Ewell (1997) attribute this to a lack of deep understanding of what "collegiate learning" really means and the strategies necessary to promote it. The piecemeal attempts at improving student learning stem partly from a mechanistic additive model of assessment. Those assessment efforts have been implemented without a clear vision of what "higher" or "deeper" learning is and without an understanding of how assessment can promote that kind of learning. As such, they have resulted in little learning improvement.

A richer approach to assessment is suggested in this paper--one that replaces the additive model with a transformative assessment-as-culture-change model. To move beyond piecemeal and superficial change toward transformation, we must develop a learning community-like culture between faculty and students. This would entail developing what Peter Senge (1990) calls "personal mastery". The four preconditions to personal mastery are the development of (1) shared trust, (2) shared vision and goals, and (3) shared language and concepts. The fourth precondition is the identification of research-based guidelines to orient assessment toward the goal of creating efficient and effective learning communities. If assessment is conducted as if learning matters most--not only student learning, but faculty learning as well--"then the distance between means and ends will be reduced and our chances of success increased" (Angelo 1999, pp. 5-6).

The second shortcoming from which classroom assessment suffers is that students providing the assessment data do not receive the feedback and other benefits as would be the case in a typical consumer behavior framework [in a typical consumer-provider relationship]. Even on campuses with long-standing, successful assessment efforts, it is difficult to get teachers and learners involved. This is due, in part, because the purpose of many institutional assessment programs is primarily to provide accountability, and only secondarily and indirectly to improve learning. The perceived or real accountability focus helps explain why many faculty members consider assessment efforts to be, at worst, a threat to their academic freedom or, at best, another time-wasting example of administrative trivia.

Students also fail to see the value of participating in assessment efforts that do not increase responsiveness to their immediate and personal needs. They frequently perceive assessment as an activity that benefits unknown students, if anyone, sometime in the future (Angelo 1994). If assessment is to substantively improve the quality of student learning, and not simply provide greater accountability, both faculty and students must become personally, continuously, and actively involved. After all, the primary purpose of classroom assessment "is to improve learning in progress by providing teachers with the kind of feedback they need to inform their day-to-day instructional decisions, and by providing students with information that can help them learn more effectively" (Angelo 1994, p. 5).

To faculty and students alike, assessment promises small, but immediate, and useful returns on modest, low-risk investments. So what are the returns or benefits to these partners in assessment? From the faculty member's standpoint, using a consumer behavior perspective to frame the activity of classroom teaching is a means of providing intrinsic satisfaction. Involvement in classroom assessment usually results in little or nothing in take home pay or in tenure, retention, or promotion decisions. Therefore, when most faculty members get involved in assessment, personal and professional values motivate them. The greatest benefit is the satisfaction derived from improving student learning (Angelo 1999). Their satisfaction comes from a laudable personal and professional commitment to understand and improve learning.

Another benefit for faculty using the consumer behavior approach advanced in this paper is better time management. By improving teaching and curricular design based on assessment results, faculty may be able to free more time for scholarly activities. This may not be evident at first because the short-term effects are likely to mean less free time. By including items on the consumer behavior

assessment questionnaire that focus on the helpfulness of presentations, textual materials, classroom discussion, assignments, and examinations, faculty members have the data to improve the design of their courses. Still another benefit for faculty is information that enables him or her to become excellent teachers. This is a benefit that goes far beyond the information gleaned from course evaluation questionnaires. A finance professor at the University of Chicago stated, "he learned more from his first two assessment questionnaires than he had from the preceding eight years of course evaluation questionnaires" (Bateman and Roberts 1992, p. 23).

From a student's standpoint, using the consumer behavior perspective to classroom assessment advanced in this paper results in some benefits as well. Students benefit from assessment by being able to make choices about how their programs are designed and implemented. They become partners in learning by providing data and critiques of assessment results (Palomba and Banta 1999, p. 10). By far, the greatest student benefit is that they learn more when they provide and make use of timely, specific feedback. They also learn more when they work regularly and productively with their instructors. This can be accomplished by having students write out specific examples of how you help them learn, hinder their learning, and might help them improve their learning. Several items on the consumer behavior assessment questionnaire focused on these student-instructor issues. Further, research indicates that students learn more when they invest as much time and high-quality effort as possible in their work. The assessment questionnaire contained several items related to study time.

Other benefits for students include greater satisfaction related to performance in the course, better employment opportunities resulting in part from a deeper understanding of concepts and ideas, and generally enhanced satisfaction with life.

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# WHY BUSINESS SCHOOLS NEED TO KNOW WHAT MBAS WANT TO LEARN AND HOW TO FIND OUT - A CASE HISTORY

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## ABSTRACT

*If business schools want to maximize their prestige and funding, they must help their students to succeed in their business careers. Many MBA students have valuable insights of what they need for success in business. A survey for obtaining MBA's ideas is described. Results were surprising, but on closer examination, made sense.*

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## INTRODUCTION

Business schools adapt their curricula to requirements defined by the AACSB and to needs expressed by employers. The literature does not report any research aimed at discovering MBA students' perceptions of their learning needs. If the lack of such research reflects practice accurately, a grave injustice is being done to the students. Furthermore, graduate business schools are not doing a good job of pursuing their own objectives.

## WHY BUSINESS SCHOOLS NEED TO KNOW WHAT MBAS WANT TO LEARN

The research I am presenting was based on three assumptions:

1. MBA students want to succeed in their business careers, either as corporate managers or as entrepreneurs.
2. The business school wants its students to be successful in their business careers. The rationale for this assumption is that the school stands to gain a lot if alumni succeed because they:
  - a. Increase the prestige of the school.
  - b. Are able to give large gifts, especially if they succeed as entrepreneurs.
  - c. Are likely to offer desirable positions to future alumni of the school.
3. MBA students have valuable insights. This is likely to be true if they have business experience and have had opportunities to observe how people succeed in business.

These assumptions appeared to be eminently reasonable. I have presented them to faculty colleagues and no one has disputed them. My intention was to use information obtained from students about their learning needs to modify my teaching methods

and to make the information and methodology available to those who are interested.

## FINDING OUT WHAT MBA STUDENTS WANT TO LEARN - A CASE HISTORY

### Background

I conducted the study in September and October of 1999 at Pace University. The business school, located in downtown Manhattan and suburban Westchester County enrolls 2000 MBA students. Eighty percent of the students attend school part-time and work in the daytime in entry level and supervisory jobs mostly in finance and computing. The school is AACSB accredited.

Previously, I had done eight MBA exit surveys during the 1988-1993 time period. These studies had revealed consistently that less than half of the graduating MBA students were willing to recommend the school's MBA program to good friends. The likely reason for the low level of satisfaction with the program was that students reported that most of the core courses were not valuable. While courses in their major fields received higher ratings, there was room for improvement there also. On the basis of these findings, the school made changes in the MBA curriculum and I made many changes in my teaching methods. These changes aimed at helping students to develop interpersonal skills and in my courses to improve students' ability to market themselves.

During the Spring of 1999, the director of the MBA program asked me to conduct another exit survey to obtain information that might lead to further improvements in the MBA curriculum. The exit survey was to be conducted during November-December 1999.

In preparing the questionnaire for this exit survey, I reviewed previous student surveys, findings of an internal career planning task force, interviews with corporate recruiters, my personal experience in business at Mobil Oil and IBM, my consulting work, reports of 1,000 students over the previous 8 years for which they had interviewed 10,000 alumni, managers, executives, recruiters and headhunters and my reading of the school catalog, strategic plan, internal memos, and other university publications, as well as reading many books, journals, proceedings, magazines, newspapers and attendance at 17 professional and academic meetings.

As I was completing design of the survey form for the exit survey, it occurred to me that the first page of the survey questionnaire could be administered productively to brand new MBA students to discover their perceived learning needs. See Exhibit 1, which asks new MBA students to evaluate 16 abilities from the point of view of their value in helping them to maximize their success in business and with respect to the respondents' perceived need for improvement.

### The Survey

Questionnaires were distributed to instructors of the 16 sections of the first course that MBA's take. The covering letter, written by the director of the MBA program asked the instructors to administer the questionnaires as soon as possible. A total of 310 usable questionnaires were returned within two weeks. This represented an 82.2% response rate. The questionnaires were tallied, some simple math was performed and the results are presented in Exhibits 2 and 3.

### Results

Exhibit 2 shows the averages of the data submitted by the respondents. Exhibit 3 presents the same information ranked by Composite Index (sum of the "Valuable" and the "Need Improvement" averages). The interpretation is that if the school wants to help its MBA students to succeed in business (the school's mission statement says that it does) the school should help the MBA students to improve the abilities that they identify as most valuable *and* in which they require the most improvement. The school should help students to improve the abilities shown in the top part of Exhibit 3:

1. To be able to recognize business opportunities.
2. To be able to solve business problems.
3. To market themselves skillfully.

4. To do a good job of giving oral presentations. Lower rated abilities were, in order:
5. Competence in an important business discipline.
6. Ability to apply theory to practice.
7. Ability to integrate global issues into business decisions.
8. Skill in resolving conflicts.
9. Skill in writing business reports.
10. Skill in directing the work of others.
11. Understanding of business areas outside your major.
12. Skill in starting your own business.
13. Ability to prioritize activities.
14. Ability to work well with people of diverse backgrounds.
15. Ability to develop spreadsheet models.
16. Ability to use the Internet.

The lower ratings were caused either by low perceived value or by low perceived need for improvement, or both. Many of the school's MBA students have jobs that require heavy usage of computers so that they do not perceive a great need for improving their spreadsheet and Internet skills. Some of them are professional web site and systems designers.

### RECOMMENDATIONS TO THE SCHOOL

I made the following recommendations to the business school faculty (verbatim).

First we should evaluate the results of this study:

1. Do our students' evaluations make sense? Should the Indexes of *these* particular four abilities be at the top?
2. If our students' evaluations make sense, why is the AACSB emphasizing other abilities and giving light attention to our students' top 4?
3. Furthermore, if our students' estimates are based on good understanding of the business world and their needs for improvement, are we looking at a superb opportunity to do great deeds: vastly increasing the value of the school's MBA degree, increasing our prestige, getting many more applications so we can be more selective and raise GMATs of incoming students, and in the future receive bigger gifts from more successful and grateful alumni?



**TABLE 1**  
Survey of Entering Students

*The purpose of this survey is to obtain your ideas for increasing the value of your learning experience. Please answer candidly and do not sign your name. Thank you for participating. Please circle the numbers that reflect your opinion.*

<i>For maximizing your success in business, how valuable are the following abilities?</i>	Not at all valuable						Extremely valuable		
	0	1	2	3	4	5	6		
Competence in an important business discipline	0	1	2	3	4	5	6		1
Understanding of business areas outside your major	0	1	2	3	4	5	6		2
Ability to recognize business opportunities	0	1	2	3	4	5	6		3
Ability to solve business problems	0	1	2	3	4	5	6		4
Ability to integrate global issues to bus. decisions	0	1	2	3	4	5	6		5
Ability to apply theory to practice	0	1	2	3	4	5	6		6
Ability to develop spreadsheet models	0	1	2	3	4	5	6		7
Ability to use the Internet	0	1	2	3	4	5	6		8
Skill in writing business reports	0	1	2	3	4	5	6		9
Skill in giving oral presentations	0	1	2	3	4	5	6		10
Ability to work with people of diverse backgrounds	0	1	2	3	4	5	6		11
Skill in directing the work of others	0	1	2	3	4	5	6		12
Skill in resolving conflicts	0	1	2	3	4	5	6		13
Ability to prioritize activities	0	1	2	3	4	5	6		14
Skill in marketing yourself	0	1	2	3	4	5	6		15
Skill in starting your own business	0	1	2	3	4	5	6		16

<i>At the present time, how much improvement do you need in your . . . ?</i>	I don't need any Improvement						I need a lot of Improvement		
	0	1	2	3	4	5	6		
Competence in an important business discipline	0	1	2	3	4	5	6		17
Understanding of business areas outside your major	0	1	2	3	4	5	6		18
Ability to recognize business opportunities	0	1	2	3	4	5	6		19
Ability to solve business problems	0	1	2	3	4	5	6		20
Ability to integrate global issues to bus. decisions	0	1	2	3	4	5	6		21
Ability to apply theory to practice	0	1	2	3	4	5	6		22
Ability to develop spreadsheet models	0	1	2	3	4	5	6		23
Ability to use the Internet	0	1	2	3	4	5	6		24
Skill in writing business reports	0	1	2	3	4	5	6		25
Skill in giving oral presentations	0	1	2	3	4	5	6		26
Ability to work with people of diverse backgrounds	0	1	2	3	4	5	6		27
Skill in directing the work of others	0	1	2	3	4	5	6		28
Skill in resolving conflicts	0	1	2	3	4	5	6		29
Ability to prioritize activities	0	1	2	3	4	5	6		30
Skill in marketing yourself	0	1	2	3	4	5	6		31
Skill in starting your own business	0	1	2	3	4	5	6		32

**TABLE 2**  
 "How Valuable" and "How Much Improvement"  
 (14 classes, n=310, Range of answers = 0 to 6)

Capabilities	Quest. No.	Valuable	Need Imprvmt
Competence in an important business discipline	1	5.16	3.79
Understanding of business areas outside your major	2	4.45	4.02
Ability to recognize business opportunities	3	5.40	4.02
Ability to solve business problems	4	5.48	3.89
Ability to integrate global issues to business decisions	5	4.73	3.94
Ability to apply theory to practice	6	5.07	3.87
Ability to develop spreadsheet models	7	4.31	3.25
Ability to use the Internet	8	4.70	2.25
Skill in writing business reports	9	4.98	3.60
Skill in giving oral presentations	10	5.08	4.08
Ability to work with people of diverse backgrounds	11	5.29	2.52
Skill in directing the work of others	12	5.15	3.39
Skill in resolving conflicts	13	5.17	3.46
Ability to prioritize activities	14	5.26	3.00
Skill in marketing yourself	15	5.31	4.01
Skill in starting your own business	16	4.28	4.11
Averages		4.99	3.57

**TABLE 3**  
 "How Valuable" and "How Much Improvement" (By Composite Index)  
 Composite Index = Sum of (Valuable + Need Improvement)

Capabilities	Quest. No.	Valuable	Need Imprvmt	Comp. Index	Diff. in Index*
Ability to recognize business opportunities	3	5.40	4.02	9.43	
Ability to solve business problems	4	5.48	3.89	9.37	0.06
Skill in marketing yourself	15	5.31	4.01	9.32	0.05
Skill in giving oral presentations	10	5.08	4.08	9.16	0.16
Competence in an important business discipline	1	5.16	3.79	8.94	0.22
Ability to apply theory to practice	6	5.07	3.87	8.93	0.01
Ability to integrate global issues to business decisions	5	4.73	3.94	8.67	0.27
Skill in resolving conflicts	13	5.17	3.46	8.63	0.04
Skill in writing business reports	9	4.98	3.60	8.58	0.05
Skill in directing the work of others	12	5.15	3.39	8.53	0.05
Understanding of business areas outside your major	2	4.45	4.02	8.47	0.06
Skill in starting your own business	16	4.28	4.11	8.39	0.08
Ability to prioritize activities	14	5.26	3.00	8.26	0.12
Ability to work with people of diverse backgrounds	11	5.29	2.52	7.81	0.45
Ability to develop spreadsheet models	7	4.31	3.25	7.56	0.25
Ability to use the Internet	8	4.70	2.25	6.95	0.62
Averages		4.99	3.57	8.56	

\* A difference in Composite Index of .20, or greater is statistically significant.

In my opinion, the answers to these questions are:

1. On reflection, yes and yes. If a student does not improve in these 4, how useful will the others be?
2. The AACSB, in all their studies, do not ask the right questions, of the right people.
3. Yes, we are looking at a superb opportunity, a far greater opportunity than the ones discovered in the 1988-1993 exit surveys.

The final conclusion is that we should start helping our MBA students to improve the four abilities identified here.

#### **WHAT ABOUT UNDERGRADUATE STUDENTS?**

I have administered the same questionnaire to several undergraduate classes. The outcome was the same. The top four categories were:

1. To be able to recognize business opportunities.
2. To be able to solve business problems.
3. To market themselves skillfully.
4. To do a good job of giving oral presentations.

#### **RECOMMENDATIONS TO READERS OF THIS PAPER**

If readers of this paper want to increase the usefulness of their programs in helping their students to achieve success in their business careers, they should follow the procedure described here to discover their students' learning needs and then they should make appropriate changes in curricula, teaching methods and teaching evaluation systems.

# MARKETING STRATEGIES AND INDUSTRY DYNAMICS: THE EARLY COMMERCIALIZATION OF THE AMERICAN CINEMA

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## ABSTRACT

*This paper discusses marketing strategies of early entrepreneurs in the American film industry. Though initially successful, firms that handled all phases from production to exhibition failed to anticipate changes in the industry's trajectory. Integrated strategies hampered flexibility during the fluid period of the industry's life cycle.*

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## INTRODUCTION

This paper examines marketing strategies taken by entrepreneurs during the early years of the American film industry in the 1890s. This era possessed many of the characteristics that often define the initial stage of an industry's life cycle: small-scale production, rapid change, diverse designs, technical uncertainty, and ease of entry. Like many innovations, the absence of a well-defined market and product created challenges for these early entrepreneurs. Existing industrial practices, however, did offer guideposts for the marketing of motion pictures. Screen practices and visual novelties had been staples of the entertainment and amusement industries for a long time. In many ways, the projection of moving pictures represented the latest in a series of technical and aesthetic advancements on practices like magic lantern shows, photographic slide projection, and Edison's Kinetoscope. The numerous concerted efforts at invention and the near simultaneous achievement of motion picture projection in the United States and Europe attest to the commercial opportunities perceived by many at that time.

In introducing motion picture projection, two business strategies were dominant: the complete motion picture service and product franchising. Several firms provided a "complete motion picture" service to their customers, handling all phases of the process from film production to exhibition. This strategy often was quite successful in taking advantage of existing complementary capabilities in the entertainment industry. These services supplied individual acts to tour the lucrative vaudeville

circuit. Others followed a "product franchising" strategy. Product franchising consisted of leasing projection equipment and selling film prints to territorial franchisees. This strategy initially suffered because franchisees lacked the capabilities to employ the new technology profitably. Despite the immediate success of the complete motion picture service, the separation of production and exhibition under the product franchising arrangement facilitated the diffusion of technology and the adoption of a 35mm film as industry standard. Consequently, this standard set the stage for the emergence of an independent, vertically specialized industry that served a mass market during the nickelodeon era. The moral of the story is that entrepreneurs need to be careful not to get locked into a singular strategy during the fluid period of a product's life cycle. They must remain flexible enough to respond to unpredictable changes in an industry's evolutionary path.

## THE COMPLETE MOTION PICTURE SERVICE

In 1896 two motion picture companies, the French Lumiere Company and the American Mutoscope and Biograph company, pursued a strategy that took advantage of existing complementary capabilities in the entertainment industry. Neither company decided to manufacture motion picture equipment for sale nor did they consider producing films for a market of independent exhibitors. Instead, they supplied a "complete motion picture service" to large, established theatrical enterprises (Balio 1985). Highly skilled employees equipped with films and

projector (and sometimes camera) provided entertainment to theaters specializing in vaudeville entertainment. By the mid-1890s, vaudeville was the most popular form of commercial entertainment in the United States. Drawing approximately one million patrons weekly, the vaudeville stage provided a lucrative outlet for motion pictures. The most popular acts often had been those that projected screen images accompanied by narration or music. Given the highly competitive environment, theater owners and vaudeville managers were anxious to add motion pictures as an important attraction.

Film historian Robert C. Allen has examined the relationship between early film companies and vaudeville in great detail. He has stressed how the structure of vaudeville greatly facilitated the integration of motion pictures.

The industrial structure of vaudeville did not call for a division of labor in the usual sense. Rather, the division came within the vaudeville presentation itself: each act was merely one of eight or more functional units, one cog in the vaudeville machine. Hence it is not surprising that a machine would quite literally replace the acrobat, animal act, or magician on vaudeville bills. Neither did the use of films in vaudeville require a division of labor of the industry into distinct production, distribution, and exhibition units. In fact it favored the collapsing of these functions into the "operator," who, with his projector, became the self-contained vaudeville act (Allen 1979, p. 152).

The vaudeville format was modular in the sense that an evening's entertainment consisted of a variety of ten to twenty minute unrelated acts. The introduction of motion pictures represented an autonomous innovation to this format, often replacing acts featuring magic lantern and slide show projection.

Lumiere and American Biograph responded to this market by manufacturing projectors, producing films, and then leasing operators to theaters and the vaudeville circuit as independent, self-contained acts. More showman than technician,

these operators played a crucial role in delivering entertainment to customers. Individual motion pictures essentially were moving snapshots, providing a brief view of an event from a single angle. The exhibitor arranged the short films into a complete program, often splicing them together or interspersing them with lantern projected slides. The technical limitations of projection and cinematography of the time prevented the production and exhibition of lengthy movies. Mirroring the established practices of the magic lantern and photographic slide shows, narration complemented the projection of films that often depicted exotic locations or current events. The demands of vaudeville required that operators be highly skilled, possessing both technical and creative talent.

Vaudeville as an exhibition venue obviated the need for early motion picture companies to invest in the creation of their own marketing and exhibition capabilities. By the 1890s, a few large establishments dominated the more lucrative touring circuits. The management of these companies was quite sophisticated, centralizing the booking of acts as well as handling the scheduling and promotion of vaudeville touring companies (Allen 1983). Motion picture companies only had to supply trained projectionists with programs of films to satisfy the demands of the vaudeville circuit.

The Lumiere company was the first motion picture company to pursue this strategy. The lack of readily available financing also played a role in choosing to provide the integrated service. "Banks in nineteenth-century France made few loans to industrial concerns, and charged high interest rates for what little capital they did advance for product development and marketing" (Williams 1983, p. 161). They contracted with vaudeville mogul B.F. Keith to handle the booking and marketing of their projector/camera, the Cinematographe. After premiering the Cinematographe in New York, Boston, and Philadelphia, Lumiere sent twenty-one packages to tour the United States in 1896. Each package consisted of a trained operator furnished with a Cinematographe and a supply of films. The Lumiere company also went to great efforts to keep their technology proprietary. "Each of the far ranging couriers of the Lumiere expeditions was given a share in his receipts and a special bonus in addition which was his reward for safeguarding the internal secrets of the Cinematographe. It was the iron rule that never by night or day was the machine

permitted to be out of sight and reach of the Lumiere representative" (Ramsay 1926, p. 316).

A typical program during the first year often consisted of short subjects to be shown as one of the acts of a vaudeville performance. The act required the operator to project slides while changing films to be shown on the Cinematographe and to provide narration as well (Musser 1990). The highly portable, lightweight Cinematographe adapted well to the demands of touring. Used as a camera, the operator often filmed local sites during the day to show audiences in the evening. However, films showing exotic locations from far-off lands pleased audiences the most. Lumiere sent cameramen around the world to film a variety of locales for the American market. These moving postcards and films depicting actualities became staples of a very successful vaudeville circuit tour in 1896.

The American Mutoscope and Biograph Company also successfully introduced a complete motion picture service in 1896. Several entrepreneurs collaborated to design a very unique Biograph motion picture camera and projector. The Biograph technology provided a technically superior picture by using 70mm film stock, which had four times the surface area of 35mm film. The Biograph film, however, did not possess sprocket holes but required "friction-feed" to move the film through the camera. The Biograph camera "brought the film in front of the aperture, where a pressure plate held it in place while a double punch made holes in it, and the shutter opened and exposed it. Because the resulting frames were not evenly spaced along the negative, the holes provided the necessary registration of images during the printing process" (Musser 1990, pp. 146-47). The projector, "like the camera, used not sprockets and perforated film but rather a constantly moving friction-feed device with a clamp to hold the film steady while light passed through it and onto the screen" (Musser 1990, p. 148).

From the start, Biograph took advantage of vaudeville as an exhibition outlet. In addition, the Biograph staged several runs at some of New York City's more prestigious theaters during the fall. Newspapers reviews uniformly praised the Biograph show for the lack of flicker in the projected images. The 70mm picture also compared favorably with other technologies in terms of resolution. American Biograph used its competitive advantage to market

its motion picture service to the high end of the vaudeville market. In December of 1896, Biograph contracted with B.F. Keith who booked the Biograph act to tour first class theaters. Like the Lumiere act, a Biograph program required a highly skilled operator to string together a series of mostly unrelated films. Unlike the Cinematographe, the "biograph projector held approximately ten films spliced together on a reel with leader between each subject. Before each scene, he showed a slide that announced the forthcoming picture, then engaged the motor and quickly brought the machine up to speed" (Musser 1990, p. 181).

Most early film production companies bundled production with exhibition by providing a complete motion picture service to theaters and other venues. The American Mutoscope and Biograph Company in particular thrived during this early period. By keeping technology strictly proprietary, the complete motion picture service failed to anticipate the development of film as a medium independent of vaudeville and the theater. A clearly less successful strategy helped to create an environment that allowed the industry to follow a different trajectory.

## PRODUCT FRANCHISING

Before the development of projection technology, Thomas Edison first commercially exploited motion pictures with the invention of the Kinetoscope. The Kinetoscope was a "peep-hole" device in which customers individually viewed short films. The Edison company both manufactured Kinetoscopes and produced 35mm films for its use at the "Black Maria" studio in West Orange, New Jersey. After the initial success of the Kinetoscopes at arcades and amusement parks, its novelty soon dissipated and Edison ceased manufacturing in 1895. Despite the attempts of others, Edison doubted the commercial viability of motion picture projection and chose not to pursue this line of invention. However his absence from the industry was short-lived (Balio 1985).

In 1895, Thomas Armat and Francis Jenkins successfully invented a motion picture projector. After several public demonstrations, the inventors contracted with the firm of Raff and Gammon to market the projector. Raff and Gammon, who previously were the marketing agents of the Kinetoscope, contracted with the Edison company to manufacture the projector and to

produce films for its use. In order to take advantage of brand name recognition, Raff and Gammon marketed the projector as Edison's Vitascope on a franchise basis. In 1896, the firm sold franchises to agents who gained exclusive territorial rights to lease projectors and buy films from Edison. The sale of these rights provided the up front financing necessary to begin manufacture and film production. In addition to bidding for territorial rights, franchisees paid monthly charges of twenty five to fifty dollars for each leased projector (though they had to buy Edison prints outright). Under the agreement, Thomas Armat remained the owner of all projectors while receiving twenty five percent of all revenues from the sale of exhibition rights and a percentage of licensing fees.

The practice of product franchising as a method of distribution emerged in the second half of the nineteenth century. According to historian Thomas Dicke, product franchising occurs when the "manufacturer markets its output almost entirely through highly specialized retailers, who in turn rely on the manufacturer for most of the products they sell. . . . The makers of complex goods originally developed product franchising because their good could not be easily absorbed into normal distribution channels" (Dicke 1992, pp. 3-4). Motion picture projectors and films as capital goods for potential exhibitors represented a new technology, which did not have established distribution networks in place. The uncertainty that faced the Vitascope operation did not simply pertain to the lack of information about local markets but also concerned the most profitable utilization of motion picture technology. Bound only by territorial restrictions and monthly charges, the franchisee had the right to exploit the Vitascope in any way he saw fit. "The agents could exploit the Vitascope themselves, or, as Raff and Gammon repeatedly pointed out in their correspondence, the territories could be further divided and sub-franchised" (Allen 1979, p. 147). As film historians have noted, the provision of territorial leasing rights was a marketing practice that Edison previously used to promote his phonograph. Though Edison originally intended the phonograph to be used for business dictation, franchisees quickly found this application to be unprofitable. Many agents responded by affixing coin slots to phonographs and then leasing them to amusement parlors and arcades. Thus, franchisees played a crucial role in determining the final use of Edison's machine.

Raff and Gammon launched the Edison Vitascope in April 1896 at Koster and Bial's theater. The subsequent publicity campaign in newspaper reviews and advertising promoted the Vitascope purely as an Edison invention. In addition to theater owners and vaudeville managers, Raff and Gammon had little trouble attracting the interest of established phonograph and Kinetoscope customers for the Vitascope operation. They represented a diverse group of entrepreneurs in the entertainment field. "Storefronts were another used outlet for vitascope entrepreneurs. Such premises had often been occupied by phonograph exhibitors and other showmen anxious to avoid the expense and brief runs associated with a regular theater. Once an appropriate space was rented, they could give exhibitions for weeks at a time and pocket all the income above expenses" (Musser 1990, p. 125). These small storefronts were early precursors to the nickelodeon, which would dominate exhibition venues in ten year's time. Traveling showmen who gave phonograph concerts in make-shift tent arenas also were anxious to add motion pictures to their repertoire.

Despite early enthusiasm, a number of problems threatened the commercial viability of the franchise arrangement from the outset. First, the novel and precarious nature of the Vitascope technology required exhibitors to possess a great deal of tacit skill to operate the projector. Outside of printed instructions that accompanied the projectors, Raff and Gammon provided little training or technical support for the new technology. Many of the Vitascope shows did not compare favorably with the complete motion picture services offered by Lumiere and American Biograph. Second, the technical characteristics of the Vitascope limited the number of venues it could serve. "The electricity needed to power the vitascopes was one of the entrepreneur's biggest headaches. The machines were designed to run on the direct current favored by Edison, but many locations were wired for alternating current instead" (Musser 1990, p. 129). Weighing several hundred pounds, the projector also was not an ideal candidate for the touring circuit. Third, Vitascope franchisees complained about bottlenecks in the production of projectors and films. The poor sales of the Kinetoscope virtually led to the halting of film production at the Black Maria. Competition from Lumiere and others caused Raff and Gammon to prematurely offer their marketing scheme before an adequate number of projectors or films had been produced. These delays greatly

frustrated franchisees that often paid large sums to obtain exclusive territorial rights.

Despite these serious problems, the structure of the franchising system ultimately represented the greatest threat to the Vitascope's success. The territorial rights method severely hampered the exploitation of the most lucrative outlet for motion pictures at the time: the vaudeville circuit. Robert C. Allen elaborates. "As we have seen, in 1896, vaudeville was in the midst of a period of interstate circuit building - the circuits ignoring the political boundaries the Raff and Gammon marketing plan was based upon. Most vaudeville acts were booked from New York along a route of theaters for a dozen or more weeks at a time, covering as many states. For the Vitascope to be booked in a similar manner would require a dozen separate agreements with the rights holders for each state" (Allen 1983, p. 67). The provision of territorial rights to local agents prohibitively increased the negotiation costs required to complete the necessary contractual arrangements to accommodate these touring companies. The marketing scheme also constrained the activities of the traveling showmen who brought their tent acts to thinly populated areas.

The large initial investment in securing territorial rights created serious financial difficulties for franchise-holders. Few were able to earn enough revenue to justify their investment. By the fall of 1896, the failure of the Vitascope enterprise induced a large number of small-time operators to manufacture projectors for direct sale without territorial restrictions. The final nail in the coffin was provided by Edison who "brought out a projector of his own devising in late 1896, and bypassed Raff and Gammon by selling the machine on the open market with no geographical strings attached. This bold move killed the Vitascope venture and signaled the return of a more aggressive Edison...." (Balio 1985, p. 8). The appearance of the Edison's Projecting Kinetoscope along with many others for direct sale undermined Raff and Gammon's exclusive territorial-rights scheme.

Though clearly inferior to the "complete film services" offered by Lumiere and American Biograph, the Vitascope franchise strategy of separating manufacturing and film production from exhibition ultimately facilitated technical progress and the evolution of industry practices. Its territorial restrictions provided an incentive for new

manufacturers to produce and sell projectors directly to exhibitors with no strings attached. The relative simplicity of projection technology and absence of patent rights for projectors at that time erected few technical and legal barriers to imitation. Existing outlets that specialized in magic lantern and optical equipment provided early distribution capabilities. The availability of the Kinetoscope and the Vitascope provided models for the efforts of these inventors. The complete film service strategy clearly hampered the diffusion of motion picture technology while also locking these companies into using vaudeville as exhibition outlets. By keeping its technology proprietary, companies like Lumiere and Biograph essentially forfeited opportunities to set technical standards.

### THE ADOPTION OF THE EDISON STANDARD

The three largest motion picture companies in America in 1896 possessed three different, incompatible production technologies. Each company produced films that initially could not be shown on the others' projectors. Though Edison and Lumiere used 35mm film gauge, the pattern of perforations differed: Edison's films had four pairs of sprocket holes per frame while Lumiere's films only had one. American Biograph used 70mm film relying on "friction-feed" to move film through the camera and projector. Despite the different technologies, the 35mm film gauge with Edison perforations quickly became industry standard. The diffusion of Kinetoscope and Vitascope technology and the availability of Edison films were central to the adoption of the Edison standard.

The success of the early film companies certainly spurred the interest of a diverse group of businessmen. By 1897, the industry witnessed the entry of many small-time inventors, manufacturers, and theater owners. Charles Musser (1990) in *The Emergence of Cinema* briefly described fourteen different projectors that were manufactured and marketed from 1896 to 1897. Though several entrepreneurs started to build cameras for film production, most of the early efforts centered around the manufacture and sale of projectors, reflecting their relative ease in imitation and the availability of Edison films. The absence of copyright protection for films at the time greatly encouraged the practice of duping films. As Terry Ramsaye described, "It was found possible to make a film negative from any



original positive print by the exceedingly simple process of putting the print through the film printer with a piece of raw stock in the usual manner. From the resulting negative any number of copies, identical with the original print, could be made" (Ramsaye 1926, p. 321). The decline of the Kinetoscope also prompted many owners to strip films from the "peep-hole" devices to sell to exhibitors. Films that were sold to "Vitascope" franchisees were eventually resold to supply the increasing number of projectors that adopted the Edison standard.

The adoption of the Edison standard also facilitated "process innovation" in the new projection technology by inducing the entry of many new manufacturers. While remaining true to the standard, imitators jettisoned the unwieldy features of the Vitascope technology in devising their own projectors. William Selig, who would become a major producer of motion picture films, essentially cross-bred the Vitascope and the Cinematographe in coming up with the Selig Polyscope. Working on developing a projector using Edison films, Selig met with Andrew Shustek who worked at the Union Metal Works in Chicago.

It was there that he discovered drawings of the Lumiere Cinematographie, a dual camera-projector. An unknown customer had brought in various parts for Andrew Schustek to duplicate, and as time passed the various working drawings began to take a definite shape and form. Despite the customer's insistence on absolute secrecy, Schustek realized that he was constructing a new Lumiere machine, one piece at a time. When Selig caught a glimpse of the drawings, he conferred with the machinist and the two men decided that there was little harm in pursuing the project further. Schustek took additional shop facilities at the corner of Chicago's Western Avenue and Irving Park Boulevard, where the project was begun, and in time the Selig Standard Camera and its companion projector the Polyscope, were devised (La Hue 1973, p. 11).

Like the Cinematographe, the Polyscope projector was lightweight and mobile, making it ideal for the touring circuit. "By early 1897 scores of different projectors were available to American showmen. Although little noted by historians, these machines had diverse capabilities and constructions. Some depended upon electricity for power, but most were hand-cranked and the operator could use limelight as an illuminant" (Musser 1990, p. 167). The improvement of projection technology later proved to have a dramatic effect on film practice. Enhanced projector performance ultimately displaced the complete motion picture service by allowing longer films to be shown and by diminishing the need for a talented operator. The popularity of the story film and the emergence of the nickelodeon in the first decade of this century very much depended upon improvements in both production and projection technology.

The great increase in the number of projectors available on the market also acted as an incentive for entrepreneurs to enter into film production. An amalgam of exhibitors, inventors, and showmen started to produce films both for their own shows and for sale to other showmen. Albert Smith and J. Stuart Blackton, who later would start Vitagraph studios, invented their own projector and camera (based on the Vitascope) and produced films for their own traveling tent shows. William Selig began film production, making topical films for local Chicago vaudeville houses (La Hue 1973). Chicago's George Kleine, who owned Kleine Optical Company, also expanded his operation into motion pictures. "In addition to optical equipment, including lenses and other such items, the business sold peep-show cabinets, cameras, projection machines, and numerous short films, which were initially acquired only from American producers" (Horwitz and Harrison 1980, p. xiii). Within a decade, Kleine became the largest distributor of films in America. These reinforcing developments solidified the Edison standard and accelerated economic growth in the new industry. As the extent of the market increased, many of these operations would specialize their efforts in production, distribution, or exhibition.

## CONCLUSION

The integrated approach of the complete film service treated motion pictures as an autonomous innovation to vaudeville's modular system of production. As such, the film industry

complemented existing entertainment practices of vaudeville and the theater. Though successful within that context, the bundling of production, distribution, and exhibition prevented these firms from producing films and manufacturing equipment for a decentralized market. Langlois and Robertson have argued that bundling may not be a wise strategy during the early stages of a product's life cycle. "Coordination integration is unsuitable in such an environment because it increases 'certainty' within an organization (a firm or closely articulated network) by artificially reducing the numbers of sources of information that are treated as credible" (Langlois and Robertson 1995, p. 139). Subsequently, the absence of companies like Lumiere and American Biograph from these markets allowed the Edison company to establish its film gauge as the industry standard.

The fortunes of Lumiere and American Biograph in the American market illustrate the importance of industry standards. The Lumiere company effectively exited the American market in 1897. One story suggests that the exit was prompted by legal action for bringing the Cinematographe into the United States as personal rather than commercial property. However, Charles Musser argues that Lumiere's decision to leave was based on the failure of its new strategy of focusing on the sale of its projector and films on the open market.

By that date, the cinematographe was becoming technologically outmoded. Its single-hole sprocket system was incompatible with English and American projectors that had adopted Edison's four-sprocket format, which meant that only Lumiere films could be shown

on Lumiere projectors. Since Lumiere prints were increasingly available in the four-sprocket format, the French machine was not a wise choice for someone purchasing a projector. Whether the marketing of cinematographes was a desperate attempt to reassert the Lumiere format, a retrenchment within the world market, a response to customs problems, or some combination of the three remains unclear. The sale, however, accelerated the decline of the French company on the American market (Musser 1990, p. 177).

Unlike Lumiere, American Biograph continued to prosper by following a strategy, which would dominate the film industry for the next several years. With its technically superior 70mm format, the firm captured the high end of the theater and vaudeville markets by providing a complete motion picture service. Vaudeville, however, did not remain a lucrative outlet for films for long. Spurred by the improvement of camera and projection technology, film developed aesthetically and started to present simple story lines. Motion pictures no longer complemented but began to compete with theatrical entertainment. With the relative decline of vaudeville, American Biograph eventually changed strategies and started to produce standard 35mm gauge films with Edison perforations for the emerging nickelodeon market. However, Biograph was only able to follow this strategy after protracted and costly patent battles with the Edison company over the use of the Edison format.

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# STRATEGIC MARKETING, MANAGEMENT AND INFORMATION TECHNOLOGY: AN APPLIED INTEGRATION

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## ABSTRACT

*Brick and mortar institutions such as shopping centers must change to meet the dual elements of a continuing rise in consumer expectations and the ethereal medium of e-commerce. This paper recognizes these driving and competitive forces in the modern commercial environment, presenting an approach for the effective integration of these disciplines to generate business and sustain commercial success.*

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## INTRODUCTION

Modern organizational thought has inexorably led to the conclusion that the traditional separation of functions and divisions into compartmentalized areas for planning, direction, and control is inefficient and ultimately self-defeating in today's highly competitive environment. The current focus, instead, is on the flow of activities comprising processes across an entire organization where actual value is developed through shared responsibility and ownership. This approach reflects a systems view of how diverse elements and disciplines can be brought together to be mutually supportive and enhance the total organization as opposed to the attainment of individual goals and objectives.

The same principles apply across a wide spectrum of business applications. For example, why should organizational functions continue to exist on a classic 'smokestack' basis when their integration can lead to direct benefits for the resulting whole? (Note that the actual function of integration as a discipline in itself is not new, as indicated by the rise of system integrators in the generic field of information systems.) However, the combining of functions and disciplines is still not a common phenomenon across business and organizational landscapes.

There are at least two basic reasons for this relative lack of progress in organizational integration. The first is that individual units have been loath to relinquish individual power or share the information upon which that power is based.

The concepts of coordination and collaboration have essentially received lip service. This situation will not change until the second reason for organizational inertia is overcome – the perception that the process of integration for its own sake is not enough. There must be compelling reasons to make the effort associated with integration (and potential sacrifices over individual control and influence) worthwhile. These compelling reasons are commonly termed core competencies, competitive advantage, and return on investment.

## PURPOSE AND PROCESS OF INTEGRATION – CONCEPTUAL BASIS

Integration can be generally defined as the set of practices, the *process*, required to clearly identify, plan, manage, control, and report the complex set of elements and supporting activities comprising virtually all of today's organizations. Competitive pressures and the often limited timeframe for an effective response to a change in the environment do not permit a learning curve over time, but require careful planning and integration to meet all scope, schedule, cost, and technical specifications the first time. This requirement extends beyond an internal organizational perspective to include the interfaces between diverse, but mutually supportive, organizations and their common environment.

From the outset, then, it is necessary to recognize that organizational and program integration is much more than a simple overview and combined scheduling of events. Fundamentally,

the tenets and purpose of effective integration can be stated as being:

- Central to overall organizational and managerial processes
- A comprehensive and objective assessment of scope, schedule, cost, and technical performance from a system perspective
- Assessing what is happening, what is likely to occur, and determining the reasons for both
- A continuous effort to maintain a competitive edge

To achieve these tenets, it is necessary to take a systems approach to ensure the success of what is essentially a program management effort to attain organizational integration. The approach should be based on the related principles of (1) shared objectives and responsibility, (2) tailored and affordable solutions, and (3) overall system optimization. It should also implicitly adhere to a risk management process where the following basic questions concerning both the internal and external environment are addressed:

- What can change?      • What is the impact?
- To what extent?      • How can it be handled?

These are not insignificant considerations. Modern organizations and programs are too large and complex to be handled in isolation – changes to them must be addressed and handled through a methodology that directly manages and controls both internal and external relationships and the risks associated with them. Being aware of these parameters is a key part of being prepared to handle them in an effective manner, as opposed to just reacting to them.

### Driving Forces and Response

The need for a comprehensive approach to organizational and program integration cannot be overstated. Society in general, and the business world in particular, are clearly in a state of rapid and dynamic flux. Forces in the fundamental environment in which business is conducted have been characterized by the two, related factors of increasing rates in the level and scope of change and complexity. Failure to effectively handle these related forces, or to seize the opportunities they bring, jeopardizes the continued existence of

businesses and their (current and potential) clients. To illustrate this point, one need look no further than the changing demographics of the business world, where responsive adaptability has become essential for survival.

Several principles of growth, if not survival, emerge from the recognition of the dual forces of rapid change and increasing complexity. Note that *each of the following is a chance to fail; collectively, they are also an opportunity to succeed.* The applied integration application presented in this paper is designed to address each of these issues and turn them to the advantage of a progressive organization.

- Increasing rates of change and degree of complexity generate *situations of ambiguity and uncertainty.*
- An organization (and its clients) cannot remain static, but must shift and adapt together to meet the changes surrounding it. *Resistance to that change is a path to extinction.*
- *The market is more demanding.* Clients need, expect, and demand better quality and service than ever before. More importantly, speed at determining and then providing quality solutions to verified needs has become critical.
- To remain competitive, *an organization must contribute more value than it costs.* Contribution is not measured by hours spent on a task, but by value added in a timely manner.
- It is insufficient to simply identify a problem -- a *workable solution identification* is needed – and expected – as well.
- These factors drive the need for an *organizational orientation toward action.* In turn, action requires acceleration and the ability to make correct decisions quickly and at the point of attack.
- Being at the point of attack means knowing the customer through continuous contact and interaction. It has become axiomatic that an organization's *success is directly related to its customer's success*, and that *nothing replaces customer and program knowledge.* Tools and techniques only build on and use that body of knowledge.
- *An organization's continued existence depends totally upon its value to its customers.* They are the ultimate source of job security.
- An organization cannot rest on its laurels nor current level of knowledge. *Failure to grow is*

*an invitation to demise.* It is not too strong a statement to say that an organization and its members are the masters of their own joint fate.

These principles lead to the development of a fundamental recognition of the orientation necessary for an organizational and program integration approach to survival:

*CHANGE IS INEVITABLE,  
ADAPTATION IS MANDATORY,  
GROWTH IS ESSENTIAL.*

Based upon this recognition and orientation, an organization must bring its full talent to bear on a client's needs to generate opportunities. In turn, this requirement can be stated succinctly as follows:

<i>Rapid Analysis Design, and Development</i>	<i>leads to</i>	<i>Recognition Adaptation Growth, and Success.</i>
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One of the key benefits of this conceptual methodology is that it is not limited to a particular theory or formula, but draws upon the full range of applications and techniques used over recent years under the guise of various management and organizational schools of thought. The specific integration approach for an individual client is to build a wide ranging "tool kit" to permit the application of different technical, organizational, and management practices for diverse, complex issues, as opposed to a single approach for all problems. The net result to the organization is an integrated, technologically current solution to the wide variety of issues encompassing organizational and program integration.

While this general orientation could be couched under the general heading of organizational development, process improvement, etc., a more descriptive and inclusive approach is to use the broader concept of

#### **Organizational and Business Adaptation (OBA).**

The wider scope provided by this orientation incorporates the principles listed above, reflecting the full range and extent of organizational

and program integration and opening the path for changes of all types, such as those proposed below.

To avoid leaping into oblivion, however, it is important to recognize the relative level of development of the organization to be transformed. The figure shown below is provided as a guide for this purpose. Note that the areas of concern in this paper lie 'above the line' where the emphasis is on enhancing an organization's market and decision making capability as opposed to 'below the line' efforts to develop operational efficiency for the control of costs. Further, the notes provided under 'Management Focus' are key to the following application of integrated marketing and information technology.

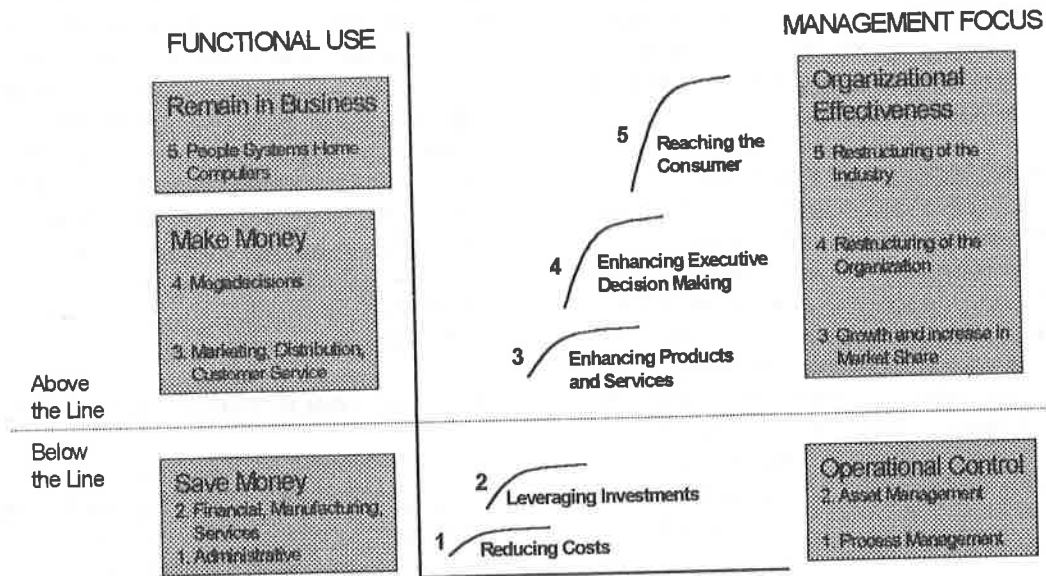
#### **Application of Concepts**

While the foregoing commentary is valid and has merit as an academic or intellectual exercise, the question still remains as to how the listed principles and concepts can be applied for commercial purposes. To address this question, consider the multi-faceted elements comprising the organization commonly known as a shopping mall:

- There is a hierarchy of organizational control (mall management and owners)
- There are a wide diversity of organizational divisions (individual stores), each pursuing its own goals and objectives by relatively unique means
- There is a diverse client base (customers of all types and social strata)
- There are clear measures of performance (market share, revenues, and profits)
- There is a strong and active base of competition (all other malls and stores in general)
- The environment is not only present, but also intrusive and subject to rapid change (economic, legal, social, technological, et.al.)

The last element, in the form of technological change, presents the greatest challenge – and opportunity – for shopping mall and is a key driver for the applications that follow.

**FIGURE 1**  
Waves of Innovation



**Waves of Organizational Transformation**

Of all the functions, disciplines, activities, and concerns to the diversity of stores in a shopping mall, none is more common and unifying than that of marketing. Similarly, of all the environmental changes and complexities confronting those stores, the effective application of information technology in the guise of the Internet in general and e-commerce in particular has to provide the greatest challenge and opportunity. It is essential, then, that these two, key elements be considered in tandem and as a unified concept for the benefit of both the individual stores and overall mall.

The convergence of marketing and information technology in today's business environment has resulted in a new, consumer-driven paradigm that must be recognized if any enterprise is to prosper, let alone survive. The fundamental concepts, as driven by information technology, comprising this new marketing paradigm can be briefly stated as follows:

- *Communication is personal, not mass market.* It is 'up close and personal' versus the former reliance on mass marketing.
- *Customer contact is interactive, not broadcast.* It is both incoming and outgoing on a basis largely determined and selected by the customer.

- *The timeframe of communication is determined by the customer, not the merchant.* Stores must be ready and able to respond to customer needs and requests at the customer's, not store's, convenience.
- *The culture is bottom up, not top down.* The body of expertise is increasingly resting with the customer instead of the merchant. The customer now knows what he wants and where, when, and how it should be delivered.

The overall thrust of these concepts is that a shopping mall and its individual stores must be knowledgeable of and responsive to an increasingly sophisticated and demanding set of customers. A shopping mall's failure to do so is to invite its own demise by ignoring increasing customer expectations and simply yielding to the growing and pervasive force of e-commerce.

In addition to the changes generated by information technology, it is also necessary to recognize the current, major trend comprising the second key element of marketing. Reflecting the overall bias in society, marketing and sales initially moved from products to services, but have now moved to the *experience* of both purchasing and consuming a good. The challenge/opportunity to the

merchant is to influence, if not design and control, the type and depth of that experience. (Since this degree of influence can readily intrude on a consumer's 'personal space,' it should be noted that there is a distinct risk of irritation from exceeding those space limits to counter the benefits of developing a preferred behavioral pattern en route to the establishment of customer loyalty.)

The confluence of the two disciplines of information technology and marketing has given rise to the previously mentioned phenomenon of e-commerce. The challenge is how to most effectively harness this phenomenon and make it work for a shopping mall and its stores. In turn, this requirement gives rise to the need for an integrated suite of mutually supportive market techniques and information technology tools that have the common purposes of (1) establishing market share, (2) generating customer loyalty, (3) yielding a return on investment, and, ultimately, (4) generating sales and profits for both the overall mall and its individual stores.

In short, today's environment and consumer expectations are driving the need to transition from a mere 'brick and mortar' operation to the far more encompassing 'brick and *click* and mortar' orientation. The convergence of these and related forces means that their integration into such operations as e-commerce has evolved beyond the role of mere infrastructure in support of business strategy – they have become a key element of a business strategy.

They are not the sole elements of a business and marketing strategy, though. Shopping malls do not really want customers to shop exclusively on-line; they want them to come to the mall. An on-line option can be highly advantageous (in fact, it is probably expected), but mall management, which sells floor space, and individual stores, which rent that floor space, want customers to come to the mall and spend their money there. While on-line shopping is a necessary recognition of consumer activity, it should supplement, not supplant, the on-site shopping experience.

This is a key issue, giving rise to several observations about consumer shopping behavior that need to be noted for the effective merger of on-line and on-site shopping. The continued rise of information technology in individual homes through personal computers and access to the Internet has led

to a corresponding increase in the awareness of the ease of shopping in the comfort of one's home. If this is the case, then why haven't more stores gone out of business? While at-home shopping offers significant advantages in time, people still like to physically see, touch, and compare their purchase *before* they make a commitment. Similarly, they appreciate the personal touch of dealing with a sales person who knows the product and its features. These are inherent and substantial advantages that physical stores have over on-line shopping. They should be explicitly recognized and used in any integration of the core elements of marketing, information technology, and e-commerce vis-à-vis on-site shopping.

### SPECIFIC APPLICATION – THE MECHANICS

Before delving into the detailed activities of the specific application to be discussed, it should be noted that the traditional mode of operation in a mall, where each store generally goes its own way, must be discarded for an integrated, mall-wide approach. The rationale for this position is based as much on (proportional) cost sharing and overall effectiveness as the need to recognize the significance of the observation attributed to Benjamin Franklin during the Revolutionary War. It is, of course, taken out of context, but still has meaning in the current circumstance:

"We must all hang together, or assuredly we shall all hang separately."

Stated a little less dramatically, this application is based on a high degree of *cooperation and collaboration* between not only the mall and its component stores through the disciplines of marketing and information technology, but also with the external elements comprising the competitive environment.

#### *Phase 1: Customer Analysis*

As an initial step, the function of marketing must take the lead for the development of an analysis and detailed understanding of a mall's customer base through the following actions:

- Review of existing, or development of new, databases on regional demographics to determine or verify:



- ◆ Geographic market area
  - ◆ Customer population by type and distribution
  - ◆ Occupation and income structures
  - ◆ Types and patterns of customer transportation
  - ◆ Competition in terms of type, location, and relative strength
- Conduct of surveys and focus groups to determine the following preferences:
    - ◆ Types of stores and products
    - ◆ Hours of operation
    - ◆ Special services and promotions

### *Phase 2: Marketing Program*

With this basic information in hand, it will then be possible to construct an initial, coordinated set of traditional marketing vehicles such as the following:

- Tailored advertisements for selected newspapers, magazines, and broadcast media
- 'Blocked' sections devoted to the mall and its stores in telephone book yellow pages and regional information/welcome publications
- Stationary and mobile billboards (the latter being on the sides of trucks and driven along previously determined high density customer routes)
- Tailored mass mailings to selected neighborhoods or customer segments
- Coordinated, mall-wide promotions
- Development of area alliances with nearby businesses (e.g., restaurants and service stations), transportation modes, and real estate agencies
- Participation in business groups (local Chamber of Commerce and tourism boards) and professional associations (e.g., American Marketing Association/AMA, or American Society of Association Executives/ASAE) to maintain awareness of relevant business and environmental forces

### *Phase 3: Program Assessment and Evaluation*

One of the key points to be noted in this listing of traditional marketing vehicles is the need to determine the relative return on investment from each. For example, do newspaper ads actually generate business, or are broadcast media more

effective? Just as importantly, it must be determined how responsive these vehicles are, or can be, to rapid change and to what extent they can be tailored to specific groups of customers.

### *Phase 4A: Application of Information Technology Capabilities -- External*

Having established the classic marketing tools and techniques, it is time to introduce the power and versatility of information technology. Obviously, many of the activities listed above can be facilitated and enhanced through the use of information technology tools such as spreadsheets, databases, etc. The point to be noted is that information technology can also be used for significant extensions of these areas as well as the introduction of new marketing vehicles.

Perhaps the most obvious and powerful information technology application to be used is the Internet in conjunction with a single, mall-wide web site. The development of such a site is the first step toward the eventual introduction of an e-commerce capability. At a minimum, it should include at least the following items:

- Basic mall/store data
  - ◆ Address and phone numbers (including a toll-free number)
  - ◆ Color coded floor plan of mall and stores
  - ◆ Alphabetical listing of stores
  - ◆ Hours of operation
  - ◆ Parking areas
  - ◆ Security
- Access information
  - ◆ Location with maps and directions (to include automated directions from other sites or the customer's point of departure)
  - ◆ Modes of public transportation
- Searchable product and services database
  - ◆ Alphabetical listing of products and services
  - ◆ Brands
  - ◆ Price Ranges
  - ◆ Stores
- Special events and promotions with links to related newspaper/magazine ads
- Web links
  - ◆ Individual stores
  - ◆ Hotels and convention centers
  - ◆ Related sites (e.g., public transportation, child care, fitness centers/health clubs, etc.)

While these suggested Internet capabilities would normally be accessed from a customer's home or place of business, it would be important to also provide a similar capability within the mall itself. Thus, it would be highly advantageous to establish a 'Cyber Café' on the premises of the mall where customers could gain access to the web site and associated links for information and shopping. The goals would be to ensure that customers never have to search very long to find what they want, that shopping is a pleasant, even rewarding, experience, and that a marked degree of customer loyalty to the mall and its stores is generated.

Although beyond the scope of this paper, an important aspect of this essential Internet foothold is to ensure it is designed to support the marketing function by meeting the basic customer criteria of speed and convenience through ready access and rapid loading of data. Just as importantly, it should start to contribute to the positive 'experience' of the mall by being interactive. To illustrate this latter point, a web site might be linked to other databases to provide up-to-date traffic conditions and specify a recommended route to the mall in response to a customer's entering of his/her point of departure. Similarly, the site might provide the capability to make reservations to mall restaurants, or provide live video feeds of common areas of interest. The key point is that the site should start to contribute to a positive shopping *experience* beyond the sale of products and services.

#### *Phase 4B: Application of Information Technology Capabilities -- Internal*

Closely related to an Internet web site would be the introduction of an intranet to link the various stores and mall alliances together into a unified entity acting as one. Through this medium, key customer demographic data could be exchanged, joint and mutually supporting promotions arranged, common assets (e.g., space and staff) shared, and so forth. The fundamental purpose and value of an intranet, though, would be to foster the previously noted need for cooperation and collaboration for joint success in a highly competitive environment.

#### *Phase 5: Development of Customer Loyalty*

Returning to the basic concept of marketing, a detailed discussion of the development of customer loyalty is beyond the scope of this paper, but it is crucial and needs to be noted. Suffice to say

at this juncture that there are numerous ways to develop customer loyalty, ranging from competitive prices to superior products and services to a total customer orientation. In addition, there is the application of information technology to services that are not necessarily direct revenue producers, but which could lead to a positive customer shopping experience and thus customer loyalty. Examples in this regard might include (1) an interface with an on-line auction site for excess items or items that would, in general, be put on sale, (2) the attachment of monitored sensors to children while parents are shopping, or (3) the establishment of automated kiosks throughout a mall to direct customers to desired stores (or even specific products and services) through the use of touch screens. The list of options is virtually endless, but they all support the same purpose -- a positive experience to generate and support customer loyalty.

#### **Moving into an E-Commerce Mode of Operation**

Before delving into a discussion of e-commerce and its applications, it is important to again note that it would *not* be meant to supplant traditional mall shopping, but to supplement it. A properly developed and applied e-commerce approach with appropriate lures should actually bring more, rather than less, paying customers to a mall. This is a critical feature, as any commercial venture must have a positive return on investment, preferably sooner than later. The development of an effective e-commerce capability is no exception.

In today's environment, much of the reason for customer loyalty is based on meeting the previously mentioned customer needs for speed and convenience. In addition, recent surveys have indicated that successful e-commerce enterprises provide the following attributes:

- Ease of site navigation
- High degree of customer support
- Product selection and representation
- Reliable shipping and handling
- Responsiveness (e.g., to e-mail queries)
- Ease of ordering
- Competitive product prices

While these attributes describe an effective e-commerce experience, from initial access and perusal of the web site to actual order delivery, the related challenge is how to use e-commerce to

support the primary requirement of increased revenue and profits through customer loyalty for overall mall shopping. In addition to widespread advertising of the mall's web site and its information content through various media, several measures to enhance the number of paying customers at a mall come readily to mind:

- On-line coupons to be used at mall stores
- Assignment of points for on-line purchases redeemable for goods and services at mall stores
- Customized orders from multiple stores to be retrieved at a central point during a subsequent visit to the mall
- Monitored information request lines or a chat room for prompt responses to queries and directions to the mall, specific stores, or products and services.
- Voluntary gathering of key demographic data on customers

The last feature opens major marketing vistas. From the perspective of the consumer, it can result in the development of personalized notifications of sales and special promotions through personalized web agents. From a mall and store perspective, it would permit the gathering of additional data on the amount and pattern of sales for future planning in terms of product selection, inventory, price, and staff. (This data could then be shared through the mall intranet for the benefit of all constituent stores.)

### **Implementation and Management of an Integrated Approach**

This discussion and listing is by no means inclusive of all possible applications of the merger of marketing and information technology (and e-commerce). Rather, it is meant to provide a representation of the types of mutually supporting activities a proactive shopping mall might take to maintain, if not increase, its market share and associated revenues and profits. The key point to note is that all of the discussed activities need to be performed in concert with each other to be truly effective and realize their full potential. This is commonly termed an integrated approach and requires a considerable amount of advance planning, followed by careful management and control of the actual implementation, as it clearly represents a significant organizational and business investment.

Should mall and store management perform this function? In a word – no. Although it should be deeply involved, the requisite skills and resources required to fully plan and implement the recommended approach would be best left to an outside agency that specializes in such efforts. That agency, in turn, should have, or have ready access to, in-depth knowledge of the key disciplines of marketing and information technology as well as demonstrated expertise in program management and process re-design. In short, it needs to be a 'business integrator', fully capable of organizational and business planning, execution, and adaptation.

Just as importantly, the agency should have the foresight to realize that whatever is installed today will undoubtedly have to be modified and upgraded tomorrow. It must be able to lead and develop the required levels of organizational integration and change over a series of (probably unknown) technological advances and related challenges to merit the level of investment that will be required. Accordingly, it has to be committed to a program of organizational adaptation for a sustained period as opposed to a one-time effort. The application of the recommended integrated approach promises a great deal – the agency selected to implement this approach must be a full partner with the mall and be committed to its success.

### **SUMMARY**

The foregoing remarks and recommendations can be viewed from many perspectives, but they all boil down to several basic elements. For a shopping mall and its stores to succeed in an increasingly competitive environment, characterized by rapidly increasing levels of change and complexity, they must stay on the leading edge of that environment while maintaining a close relationship with their customers. The integrated approach provided in this paper is designed to meet this requirement through the merger of the disciplines and functions of marketing and information technology in a program management setting. The proposed approach is nothing less than an organizational and business adaptation to effectively manage mall and customer relationships. Anything less represents a virtual and costly surrender to the competition.

# E-MARKETING STRATEGIES: A COMPARATIVE ANALYSIS

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## ABSTRACT

*This paper compares the online presence of the top four companies in the athletic industry (i.e., Nike, Adidas, Reebok, and Fila). The paper evaluates the web sites' marketing mix, mission statements, strategies, and "stickiness" and uses content analysis methodologies to rank order them. The results should help other marketers in developing their e-commerce strategies.*

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## INTRODUCTION

Before retirement last year, Michael Jordan had become one of the most popular sports figures internationally. What catapulted him into internationally stardom were both his incredible basketball skill and his ability to market products. His Nike commercials (i.e., Air Jordan's) sky rocketed sales and market share in the 1980s and 1990s, that Reebok, Nike's largest competitor at the time, had difficulty finding athletes that would be willing to endorse a competing product. At the time, Reebok's biggest endorser was the young and talented Shaquille O'Neal.

In recent years, sales have slumped in the athletic industry. Consumers had grown accustomed to seeing athletes endorse a brand name shoe just because they were the highest bidder. Also, many apparel designers entered the athletic shoe market (e.g., Ralph Lauren and Tommy Hilfiger). Today, major corporations (i.e., Nike, Adidas, Reebok, and Fila) are trying to find innovative ways to reach their target market. A recently adopted strategy by many companies in this industry is to go online. Although, the industry has been slow, they are starting to capitalize on opportunities that exist with both Internet marketing and e-commerce. The primary purpose of this paper is to find answers to the following research questions with respect to their on-line businesses: (1) What are their marketing mix elements? (2) Do they have mission statements for their online business? (3) What are their marketing strategies? (4) How "sticky" is their website? (5) Who has the best overall Internet marketing strategy?

## LITERATURE REVIEW

E-commerce has become a large part of the "new economy". Endless opportunities arise from the interaction and growth of the WWW to communicate and nurture commerce with developing and maintaining relationships with customers, suppliers, and other stakeholders (Ferrell, Hartline, Lucas, and Luck 1998). *E-commerce* is a general term used for the buying and selling process that is supported by electronic means. Most e-commerce activity can be divided into business-to-business (B2B) or business-to-consumer (B2C). B2B includes all financial and commercial transactions that take place electronically, including electronic data interchange (EDI), electronic funds transfers (EFT), and all credit/debt activity ([www.oecd.org/subject/e\\_commerce](http://www.oecd.org/subject/e_commerce)). B2C is retail sales to consumers for which the transaction and payment take place on open networks ([www.oecd.org/subject/e\\_commerce](http://www.oecd.org/subject/e_commerce)). In 1995, there was practically no e-commerce between B2C, but in 1999 that figure grew to \$26 billion. By 2002, it is predicted that B2C will explode into a \$330 billion business and continue to expand to \$1 trillion by 2005 ([www.oecd.org/subject/e\\_commerce](http://www.oecd.org/subject/e_commerce)). There are over 83.3 million US consumers already online ([www.commerce.net](http://www.commerce.net)). Each of them is a potential target market consumer for e-commerce.

While there has been plenty of opportunity for growth, the athletic footwear and apparel industry has been a slow on taking advantage of the Internet. The biggest markets for the athletic shoe industry are the US, because

they hold 50% of the world's market (Anonymous 2000). The US even brings more e-commerce opportunities to these companies because it has tens of millions of Internet users, credit card users, and 70% computer penetration within households.

### COMPARATIVE ANALYSIS

Nike, Adidas-Salomon, Reebok, and Fila are leaders within the athletic industry (a combined market share of 80%). Each has a different niche strategy in the market that they excel. Nike has been the leader in athletic footwear and apparel for the last couple of decades, once holding 43% of the US market. Adidas is the second leading marketer of sporting goods worldwide and currently holds 17% of the US market (Anonymous 2000). Both Fila and Reebok always seem to be following a couple of steps behind. Fila appeals to the younger urban consumers with their hip hop styles. Reebok, with their unique style and fashions, attract a large number of teenagers. All four of these competitors are fairly new in the e-commerce side of business, but are taking a few different routes. Using a content analysis methodology, we will do an in-dept analysis of their online strategy.

#### Nike

Nike was started in 1964 by Philip Knight and has grown to become the leader in athletic footwear and apparel. Nike has been one of the pioneers in using overseas factories to make products designed and sold in the US. Since mid 1990s, sales have seen a drastic decline. Recently, Philip Knight restructured his company by firing employees, cutting some product lines, and creating a new organizational structure with many Strategic Businesses Units (SBUs). Fiscal second-quarter earnings released in mid-December 2000 beat analysts' estimates, as net income totaled \$107.5 million compared to the same quarter a year ago when earnings were \$68.9 million. Revenues jumped 8% to \$2.1 billion, fueled by a 13 % leap in European revenues and a rebound in Asian sales (Wrighton and Bleakley 2000).

Nike does not only sell athletic footwear and attire, but plays a large part in sports. Through summer camps and team sponsorships, Nike plays a large part in amateur athletics. A number of Division I universities

with successful athletic programs are sponsored by Nike. Not only has this increased the athletic funding for the universities, but it has also increased revenues for Nike. Nike has become a major part of the professional sports around the world. Providing a number of teams more money and more opportunities to lure the high-priced athletes to their "team" of endorsers.

Nike started its web site in early 1999, but it did not grow into an interactive web site until six months later. Most of the items found in the brick and mortar stores are also found at Nike.com, with prices about the same. Since Nike is using multiple channels for distribution, it does not want to create conflict by "undercutting their retail partners prices" (Manning 1999), but wants to give consumers alternative channels to obtaining their products. The web site can be previewed from all over the world, but only in the US can items be bought. Nike.com has an alliance with UPS to deliver all their products to the consumers' doorstep in under three-days. Nike recently launched two big campaigns on its web site. One is dealing with Mrs. Marion Jones (Olympic gold medallist) and her opinions on real issues involving the sports business. These can be captured on the web site, with actual dialogues of the commercials. The other involves a series of commercials that actually invite consumers to interact with their web site. The viewers see half of the commercial on TV, but the other half can only be viewed through their web site.

The mission statement for Nike.com and reads, "To lead in corporate citizenship through proactive programs that reflect caring for the world family of Nike, our teammates, our consumers, and those who provide services to Nike" (www.nike.com). Although Philip Knight stated in Nike's 1999 annual report that the company has no clear-cut Internet strategy, they have taken the right steps thus far (Dworkin 1999). Customer service is a top priority for Nike.com. Nike.com has proven this by providing the "Ask Nike" hyperlink on their site, through a partnership with Ask Jeeves (High-Tech Writers 2000). The "Ask Nike" allows a customer to ask questions and receive answers almost immediately (similar to a sales clerk). Also, Nike.com has "Nike Id", allowing customers to design their own shoes and have their name or number put on them (like Air Jordan does). This enables the consumer to personalize the product, making them feel like

the professional athletes. Nike.com is working on "more footwear solutions and customization options that reflect consumers' expressive desires and their performance needs" (www.prnewswire.com 2000a). Nike.com has established many alliances and affiliate programs (for promotional reasons) with other manufacturers.

With Nike.com adding content and personalization (e.g., Nike Id) to their web site, it has become even stickier than it already was. Nike.com provides a number of avenues to pursue once into their site. They have a Charles Barkley Network that has interviews between Barkley and other professional athletes. This also allows the user to sign up for the CBN newsletter that is delivered to them via e-mail. The site enables users to voice their opinions on the topic and interact with others on the virtual community. Nike.com keeps users at their site by providing them with workouts that fit the individual's goals for fitness. Another reason Nike.com is quite "sticky" is because of its abundance of products available to look into and review, providing pictures of each item in all the different colors. This helps reduce the risk out of buying online.

### **Reebok**

Reebok, like Nike, has seen some hard times. For decades, Reebok had been one of the top three athletic footwear and apparel companies in the US. They have four very distinctive and complimentary brands: Reebok, Rockport, Greg Norman Collection, and Polo Ralph Lauren Footwear. Ending 2000, Reebok generated in excess of \$280 million from cash operations, which is an increase of \$130 million from the previous year (www.reebok.com). Reebok's sales decreased by 29.9% from \$362.2 million in 1999 to \$253.8 millions in 2000. Reebok has dropped all apparel contracts with professional team from a number of big markets. Reebok has withdrawn from all major intercollegiate athletics, as well.

Reebok.com sells the same products on their web site as they do in the stores. The prices of goods sold at Reebok.com are comparable to those sold by their retail partners, so as not to take away sales and revenues from their traditional channel partners. Reebok.com has not done much to promote its web site, but they do put their web site address at the bottom of all

their TV commercials and print advertisements. Reebok's mission statement reads, "to delight our consumer with fresh, exciting and new innovations. We will delight our consumer with style. We will delight our consumer from the inside out, with breakthrough materials and fabrics" (www.reebok.com).

Reebok.com is the first athletic shoe company to give consumers all over the world the opportunity to purchase their products online (Koranteng 1999). Reebok's web site can be browsed in five different languages (Kavanagh 1998). The web site is extremely easy to use and browse. It can easily take the consumer to the product information, corporate data, and special features (Hayes 1997). The "stickiness" of Reebok.com is good for consumers who want to visit the site for e-commerce. Unfortunately, for those seeking content only, there is not much to look at. They provide many of the products online, but not many extras like a trainer to answer question, interaction with the consumers, or a section on FAQ's.

### **Adidas**

Adidas is regaining its position as the leader, after being close to bankruptcy in 1993. Adidas currently has about 17% of the market share in the US (Anonymous 2000). When Adidas merged with Salomon (a French manufacturer of skis and golf clubs) in 1997, many outsiders saw it as a bad strategic move. Adidas-Salomon designs, develops, and markets a broad range of active lifestyle footwear, apparel, and hardware products under the Adidas, Salomon, Taylor Made, Mavic, and Bonfire brand names. Adidas has athletic shoes from tennis to basketball, and now with the purchase of Salomon, they offer ski, golf, and bike gear. The web site offers most of their athletic products online. The prices of the items are comparable to those in retail stores. Adidas.com offers a number of their commercials online. In addition to interacting with athletes, Adidas.com attracts customers by providing opportunity to win trips.

Adidas' mission statement reads, "Our mission is to become the best sports brand in the world. To that end, we will never equate quantity with quality. Our founder Adi Dassler was passionate about sports. For Adi, the athlete came first. He gave those on the field, the court and the track the unexpected and the little

differences that made them more comfortable and improved performance. This is our legacy. This is what the brand stands for. This will never change." (www.adidas.com). When Adidas wanted to begin its presence on the web, they knew they would not have much success by starting in Germany. Only from the US are consumers able to purchase their products through Adidas.com. The CFO of Adidas, Dean Hawkins said, "our biggest asset isn't on our balance sheet, and that's our brand" (Anonymous 2000, p. 30). To help Adidas in their online business, they have partnered with US Interactive Inc., which provides business strategy, digital marketing and technology skills. Consumers wanting to browse through and see what products are available at Adidas.com will be disappointed. It is not a very users friendly site. Consumers can find a sports specific workout. The workouts can be varied, depending on size, experience, athletic capability, and skill. Adidas.com also offers a chance to review the how, where, why and what of the company by providing a historical timeline. Many of Adidas' products are offered on their web site. These factors all make Adidas.com a "sticky" site.

## FILA

Fila reported a net loss of \$8.7 million this year. Net direct sales fell 15% from 1999, with US footwear sales off 51% to \$38.8 million and apparel sales down 4% to \$23.4 million (Mirabella 1999). Fila is a designer and marketer of athletic activewear, casualwear, and sportswear for men, women, and children. Pricing on Fila.com complement the prices of their retail stores. Fila believes their e-commerce strategy is designed to enhance rather than compete with sales at traditional stores (PR Newswire 1999).

Fila's mission statement was unavailable on its web site. The site has been developed to "complement Fila's ongoing advertising rotation" (Warner, 1997). Fila is planning to invest more money in marketing to both US and international markets. Fila.com has taken steps in making their web site more interactive (Lefton 2000). They update their web site regularly and add new products to keep it "fresh". They have contests to meet with Fila's endorsing athletes and provide detailed information on each (PR Newswire 1999). Fila.com has recently added six content areas

including "Rec Room", "the Goods", and "Clubhouse". Also, adding sessions to chat with Fila's endorsers is also part of their customer relationship management strategy. They have started to provide fitness tips as well (Warner 1997). One of their biggest draws to their site will be the "shoe give-a-ways"; many of which are not yet available in stores.

## ANALYSIS

Marketing mix, mission statements, marketing strategies, and "stickiness" are all being compared and ranked between Nike.com, Adidas.com, Reebok.com, and Fila.com. While the ranking may seem subjective, they were independently done by each of the authors and compared for consistency. Having a strong marketing mix (4 P's) is extremely important for an organization to be successful. Nike.com received top ranking. From their online and offline promotional efforts to their strategic partnership with UPS, their plan was well through out. Adidas.com was second, because it was aggressively promoting its web site using online and offline techniques. Fila.com ranks third with its alliances and its promotion of its web site. Reebok.com is last with their unrealistic globalization strategy of selling products and providing their products over the Internet to many countries.

Corporations should and must have a mission statement that will keep them focused and guided in the right direction. Nike.com, Reebok.com, and Adidas.com each had mission statements that gave the customer some idea of what the company is all about. Fila.com did not even provide a mission statement. Reebok.com was ranked number one because they kept their mission statement customer-oriented. Their consumers want new innovations, new styles, and materials that provide comfort. The number two ranking goes to Nike.com. While Nike.com's mission statement showed what they stood for, it did not clearly reflect that they are customer-oriented. Adidas.com receives the third ranking. First, the mission statement was difficult to locate (implying that it was not considered important). Second, it was myopic, as too much emphasis was placed on their shoes. Fila.com received the number four ranking.

Nike.com has too many strategies not to be ranked number one. With Ask Nike, Nike iD, and CBN, they provide a quality web site.

Nike.com has signed alliances with companies to continuously improve Nike's site and provide better online customer service. Adidas.com takes the number two spot by depending on their brand equity to make their web site an asset for the company. Also, Adidas' strategy for trying to build parity with Nike is an excellent way to get more of the market share. Reebok.com went international with its web site first, but has not completely established its web site in the US yet. Although this is a good idea, half of the world's market share is here in the US. Therefore Reebok.com gets the third rank. Fila.com is starting to build a web site, but they are moving very slowly. By making the site interactive and continuously updating, their progress will begin to pay off in the future. Nike.com has again taken the number one rank for web site "stickiness". They provide multiple ways for the user to interact and explore their products. Nike iD and Ask Jeeves keeps consumers on their web site longer. Adidas.com was ranked second. It

was the first to provide individuals with the opportunity to have someone establish a customized workout plan. Fila.com ranks third, as it has giveaways for their upcoming shoe lines and interactive chats with professional athletes. Reebok.com ends up last because of their inability to keep the users interest.

## CONCLUSION

E-commerce is an opportunity for every company, if they do it correctly. Consumers are using the Internet more-and-more to purchase their products. The marketing mix, mission statements, marketing strategies, and "stickiness" are extremely important in having a successful Internet marketing strategy. The overall ranking of the four athletic shoe companies are Nike (1), Adidas (2), Reebok (3), and Fila (4). This large difference in the ranking between the four companies clearly demonstrates Nike's online dominance as the leader.

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# ACADEMIC HONESTY: THE ISSUE OF PLAGIARISM

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## ABSTRACT

*Students need positive reasons for proper attribution of the work of others, accompanied by clear, concrete examples. Faculty needs to develop methods to detect plagiarism and clear policies and practices to deal with documented cases.*

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## INTRODUCTION

Every day, marketing educators use the Internet for communication with colleagues and students, research, student assignments and course delivery. Not every experience, however, goes smoothly. Some problems are frustrating: the server is down or a site that was open just that morning is unavailable when the class tries to access it during a computer laboratory. One issue that has grown dramatically in size with students' increasing use of the Internet is that of plagiarism. Students are constantly being warned not to plagiarize the work of other people, but may not have a clear understanding of what plagiarism is, or may be willing to take the risk of being caught, knowing that risk is small and the potential punishment is minimal.

Previous studies of college students indicate cheating by 40-60% of those interviewed (e.g., Davis et al. 1992; McCabe and Trevino 1993). This issue is especially important for business schools, whose students have some of the most tolerant attitudes toward cheating and in fact are some of the most frequent offenders (e.g., Roig and Ballew 1994; Moffatt 1990). One of the forms of cheating is plagiarism.

## PLAGIARISM DEFINED

Basically, plagiarism is taking someone else's ideas, using them and not acknowledging the source. Plagiarism varies in degree, making it sometimes difficult for the student to know exactly what and what not to do. Few students or faculty would argue that buying a paper from a term paper mill was not plagiarism. They may make only minor modifications to the material while citing the author. Plagiarism has occurred even when the original author is cited, but there are only minor changes in the material, leaving the 'voice' of the author clearly

identifiable (Campbell and Ballou 1974). In other cases, students engage in indiscriminate copying of entire paragraphs or pages, stringing unrelated material together to create a 'jigsaw' of loosely related chunks of information that don't quite fit together. Other forms of plagiarism or theft of intellectual property, would be turning in another student's work without that student's knowledge, and claiming it as their own. Copying material from a source text, documenting the source correctly, but leaving out quotation marks is also plagiarism. Students need to be taught that even the language of the author has to be recognized. Even when students have appropriately paraphrased material successfully, the source of that information must be acknowledged (Wilhoit 1994).

Guilford College spells out clearly what that institution considers plagiarism. The material appears in the institution's Academic Honor Code in the Student handbook (Guilford College 1997). Specific examples include "Direct Statements. Three or more consecutive words taken directly from the written or oral statement of another person, and included in written work, must be placed in quotation marks with appropriate reference noted" (Guilford College 1997, p. 10). That kind of precision would go a long way to clarifying the issue.

## "EVERYONE DOES IT"

Students read and hear of cheating every day and in every field. A public official is jailed for embezzling funds, a coach is charged with improper conduct, or the folks brag about cheating on their income tax. Authors and poets deal with the problem of 'unconscious borrowing' constantly (What's Wrong with Copying 1997). Romance novelist Janet Dailey's admission that she copied passages and themes from Nora Roberts sent other authors to the bookstore to see if any of their works had been

similarly "borrowed" (Rist and Klise 1997). H. Joachim Maitre plagiarized material for a graduation speech from Michael Medved, a film critic. Fox Butterfield of *the New York Times* reported on the plagiarized speech by plagiarizing from a story about the event in *The Boston Globe*. H. Joachim Maitre (1991) reported on these and other acts of plagiarism in the literary field. He included his own experience as a victim of plagiarism when he discovered three pages of from a book, "Managing on the Edge," were nearly identical to an article that he had written previously for *The Washington Monthly* magazine. The author, Richard T. Pascale, copyrighted the book, not only claiming Maitre's words as his own, but also getting paid for it. Pascale claimed he did not plagiarize since he mentioned Maitre in the footnotes (with no specific acknowledgment of source or page number). The publisher, Simon & Schuster, is preparing corrections for a reprint of the book.

Students who plagiarize material hurt themselves mainly because they have not gained the knowledge and experience that the assignment was designed to give them. They may also be lulled into a false sense of security and grow bolder, eventually getting caught. Good students who complete the assignment on their own may be hurt when their efforts are judged in comparison with professionally written material that was plagiarized.

#### **WHY DO STUDENTS PLAGIARISE?**

Many faculty and administrators believe that students lack the knowledge to paraphrase and cite materials correctly (e.g., White 1993; Rosnow and Rosnow 1995). Roig (1997) indicated that the majority of students engage in inadvertent or uneducated plagiarism. Even when students have learned some of the rules of avoiding plagiarism, they may be careless when proof-reading and not notice missing quotation marks or footnotes. Students may take notes from their reading, not detail on the note card that this is a direct quote, then incorporate the material into their report assuming that they had paraphrased it, and end up plagiarizing (Wilhoit 1994).

Students may cheat because they feel alienated, or lost and ignored in classes with large sections. While some students may find cheating addictive, others with poor time management skills may feel that cheating is the only way out. Pressure for good grades in order to enter graduate school may be another impetus to plagiarism and other forms of cheating (Test of Character 1995; Wilhoit 1994).

Gerry Brookes (1989) suggested that students' value of friendships, of loyalty, embarrassment over poor grades, or time pressures from a job may lead them to plagiarism.

Easy access to Internet journals, full-context CDROM databases, and the ease of "cut-and-paste" technology give students effective tools for plagiarism (Morgan 1996). In a qualitative study of students' attitudes toward cheating and plagiarism, Ashworth and Bannister (1997) found that students had strong negative attitudes toward actions that might disadvantage other students. Attitudes of loyalty to the peer group also showed up in an overall dislike to condemn students who did cheat.

While most of the British subjects interviewed by Ashworth and Bannister (1997) appeared to understand the need to reference material for a paper, their assessment of the importance was not as high as that of their instructors. They particularly expressed the opinion that plagiarism was not as important in undergraduate work as it would be in graduate studies. They saw correct referencing in terms of courtesy rather than an issue that dealt with intellectual property.

#### **JUST HOW EASY IS IT?**

The copy and paste function available on computers allows students to lift a paragraph here, a phrase there, visiting websites of companies, advertising agencies, business magazines, and trade associations. Folding all of this information into a single paper makes it difficult for an instructor to unravel the sources.

A quick search on any Internet search engine can reveal a daunting number of matches. A search for "term papers" on Alta Vista yielded an even 200 matches, while a similar search at HotBot promised 54,600 matches. Many of these are legitimate sources, such as college sites providing writing guidelines for academic courses or warnings about plagiarism. Every marketing faculty member needs to take a few minutes and follow some of the links to term paper sites. The Evil House of Cheat ([www.cheathouse.com](http://www.cheathouse.com)) will provide links to even more term-paper sites. This site claims that they average 8,000 hits a week (Hickman 1998). A hit is not a sale, true, but it is not hard to imagine that a good share of those students visiting the sites yield to the temptation. There are literally catalogs of papers that are written and ready to be purchased. Many of the sites claim they are providing information on how to write a term paper by providing "examples" and

caution students not to submit the papers as their own work. The caution is probably more to cover their liability than a sincere effort to counsel or educate students. Others, such as Big Nerds, (<http://www.bignerds.com/>) are more straightforward and offer to sell a CD of 6,500 term papers for only \$25. A quick search using "Coke vs. Pepsi" as search terms yielded ten papers for sale, offered at a mere \$8.95 a page. Titles offered included: "The Birth and Marketing of Coke Classic;" "Liquid Candy Wars;" and "Pepsi's German Challenge: Reintroducing the 'Joy of Cola' to Deutschland." Others will write a custom paper for students, charging as much as \$18.95 a page. "School Essays" ([www.schoolsays.com](http://www.schoolsays.com)) requires students requesting a paper to submit a paper of their own that received a grade of "B" or better. The student then loses all rights to that paper.

There are some scholarly sites, with free papers posted by academics. Linked to a site called "1 Stop Research Paper Shop" has links to economics papers from the Federal Reserve Bank of Minneapolis, research from NASA Laboratories (Hickman 1998). Kenneth A. Sahr's site, "School Sucks" ([www.schoolsucks.com](http://www.schoolsucks.com)) claims that his site is actually benefiting education by encouraging instructors to update assignments, and increase their creativity (Stebelman 1998).

### MAKE IT CLEAR

Guilford College (1997) is not the only institution that tries to teach students clearly and specifically exactly what is considered to be plagiarism, how it may have occurred inadvertently, and how to deal with it. The Writing Center at Princeton ([webware.princeton.edu/writing/wc4g.htm](http://webware.princeton.edu/writing/wc4g.htm)) has an excellent set of examples, causes and remedies.

Most student handbooks have sections dealing with plagiarism as a part of a section on cheating. While students are told not to plagiarize, both the handbooks and the students remain vague on the details. Students and faculty often do not operate from the same definition of plagiarism or its seriousness (Ashworth and Bannister 1997). Students reported concern that they did not understand what plagiarism was, and that they might be punished for plagiarism, even while doing their best to avoid it. Many students believe that changing a few words in the sentence, or reversing the order of a sentence relieves them from the onus of having plagiarized the material. Two studies by Miguel Roig (1997) showed that undergraduate

students do not understand how to paraphrase material correctly. In the study, 74% of the students were able to identify a correctly paraphrased paragraph. However, as many as half of the students identified plagiarized material as correctly paraphrased.

### MONITORING FOR PLAGIARISM

Sterling (1992) suggests that if the student is making a point and uses another person's work (appropriately cited) to support that point, they are probably acting ethically. If they allow the other person's words (acknowledged or not) to make the point, then plagiarism has probably occurred.

The Internet site, Plagiarized.com has a page of "Dead Giveaways" indicating that a student has plagiarized material ([www.plagiarized.com/deadgive.shtml](http://www.plagiarized.com/deadgive.shtml)). Strange and/or poor layouts will indicate where a student has pasted all or part of an essay into their computer, and printed it out without checking is against the instructor's formatting instructions. Some students will also simply download an essay, create a cover page, print it out and turn it in. If they don't look it over before they do so, they may not notice a message at the end giving the name and URL of the site they purchased it from. Unwary students may also print a term paper directly from a Web browser, failing to notice the telltale dates in the corners, etc. If the paper cites Web articles, Harris (1999) suggests going to that site and seeing if the entire article, or significant parts, is there. Another clue often discovered by instructors is the number of references to books and magazines not available at that institution's library, or better yet, nonexistent because they were totally made up.

There are computerized services available that claim they will help detect plagiarism. The Glatt Plagiarism Service uses a computer to replace every fifth word in a paper with a blank, on the assumption that the student who had not plagiarized the material would be able to replace the missing material (Orlans 1995). Many professors practice the same technique, simply by using a marking pen to strike out words and phrases, asking the student to recreate it.

John Barrie has an Internet site ([www.plagiarism.org](http://www.plagiarism.org)) that checks student papers against the Internet material using some 20 search engines as well as a database of other papers, including those from every university that licenses his service ("Internet site catches term paper cheaters" 1999). Barrie claims that his system can search more than 800 million documents for matches.

If an individual professor signs up for the service, Barrie charges \$20 for the first 30 papers, and 50 cents for additional papers. If the entire university is participating, the charge is \$1 for the paper. He makes the point that while the system can locate matches, each incidence must be reviewed on its own, and discussed with the student and other faculty or administration as appropriate for the institution.

An Internet company, iParadigms ([www.iparadigms.com/](http://www.iparadigms.com/)), has developed digital tracking programs that will analyze student term papers. They are beginning working on other areas of theft of intellectual property, such as illegal distribution of computer software and music.

Dr. Ned Feder and Walter Stewart have created a computer program that will scan texts and that will search for word-for-word matches that may be only 32 characters long (Hickman 1998). Using the "find related articles" feature available in search engines or with such services as EBSCOHost may help locate the original source of suspect materials. Some search engines, such as AltaVista, Northern Light, Fast Search, Google or HotBot can be fed phrases that are suspect. A four-word string in quotations is usually enough to start the search. They will then search the thousands of documents available to them and display matches. Soon research that is harder to track down, such as articles that appear in electronic journals, papers presented in conferences, or published by ERIC will be able to be searched in a similar manner. A few adventurous students are finding translation software on CDs or linking to one through AltaVista, then searching for articles on their topic in a foreign language and translating it into English, making the original source even more difficult (Stebelman 1998).

### **CONSEQUENCES—OR THE LACK THEREOF**

While self-confidence in their ability to do good work or the fear of being caught may be enough to deter some students, a strong, clear and strictly enforced code of conduct can be an effective deterrent to plagiarism or any form of cheating. The instructor takes care of most forms of academic misconduct involved. Whether it is sympathy for the student or an unwillingness to get involved in a formal disciplinary procedure, many instructors do not penalize the student heavily. Formal practices for punishing those who have been discovered cheating vary widely. Practices range from receiving a zero for that project or exam, double-weighted zeros on tests, to community service. It is only rarely that students are expelled for a first offense (Zack 1998).

Students might be required to turn in an affidavit that all sources that have been used in the preparation of a paper have been appropriately cited. The Department of Chemistry at the University of Kentucky has developed a form that may be required by instructors in the department before any assignments are turned in ("Plagiarism certification" 1998).

### **SO, WHAT'S A PROFESSOR TO DO?**

Students need logical, positive reasons for proper attribution, accompanied by concrete examples. It is only after this information has been clearly communicated that consistent policies for dealing with plagiarism can be constructed and implemented. Krishnamurthy (1998-99) points up the difficulty of detecting plagiarism. Before a student can be accused, detailed research and evidence must be collected. He makes the suggestion also that the situation be discussed with colleagues, and that a colleague be present if a confrontation becomes necessary.

Bruce Leland, an English professor at Western Illinois University, has provided the following valuable advice for instructors on his homepage ([www.wiu.edu/users/mfbhl/wiu/plagiarism.html](http://www.wiu.edu/users/mfbhl/wiu/plagiarism.html)). First, faculty should visit these term paper mills online, have a good idea of what is available, and let students know they have done that. He even recommends taking students to some of the sites where poor papers can be viewed and demonstrates to students what their problems are, and how they make the paper detectable. He makes the point that faculty should avoid assigning generic or traditional topics. Students need to be challenged to display critical thinking and problem-solving abilities, and be encouraged to make decisions, recommendations, and explanations ("The new plagiarism" 1999).

Wilhoit (1994) suggests that professors educate their students on what plagiarism is. He suggests using hypothetical cases that may or may not involve plagiarism: if a student asks her roommate to read a paper and the roommate makes suggestions that the student uses in the paper without acknowledging the source of the ideas, is that plagiarism? Instructors also suggest that instructors require multiple drafts of the project or that rough drafts and notes be turned in with the completed project. He requires students to include photocopies of materials that they document in their papers. Knowing that the instructor has access to the source makes students doubly cautious about paraphrasing

and citing material (Wilhoit 1994; Drogemuller 1997). Harris (1999) suggests requiring oral reports of student papers. Students who use language clearly beyond their level of education and experience can be detected by asking them to explain a particularly erudite phrase. Their inability to pronounce words that they have supposedly written is another clue that they did not write the paper. He also recommends requiring an annotated bibliography, since purchased or copied papers rarely go into this kind of detail.

Not all students plagiarize, but technology is making it easier to do and harder to detect. Clearly explaining to students what exactly constitutes plagiarism; interesting, unique assignments and vigilant instructors can help create an ethical, respectful atmosphere. For the sake of our students' careers and the reputation of our institutions and programs, we need to teach our students and ourselves exactly what plagiarism is, monitor for it, and, if necessary, punish those who willfully and knowingly plagiarize.

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# ETHICAL PROPENSITY: HOW IT AFFECTS ETHICAL INTENTIONS AND ETHICAL JUDGMENTS

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## ABSTRACT

*This study defines and measures the construct of Ethical Propensity. It further investigates the extent to which Ethical Propensity, ethicality of corporate culture and pay base influence the decision to act in an ethical/unethical manner and judgments of ethicality. It is proposed that the Ethical Propensity construct is a moderating variable between the independent variables, corporate culture and salary base, and the dependent variable, unethical choice. Logistic regression reveals that of the three independent variables considered; only Ethical Propensity has a significant influence on the decision to act ethically. None of the variables significantly influenced judgment of ethicality. Practical applications for the construct as well as future research are discussed.*

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## INTRODUCTION

More and more frequently consumers are complaining about unethical corporate decisions. Firestone Explorer Tires linked to 101 U.S. traffic deaths (Tulsa World 2000), Sears and Roebuck's & Co. incentive plan for automotive repair (Quinn 1992), General Motors X-car brake (Kubit 1985), Firestone 500 tire (Regulation 1979), and Nestle's baby formula distribution in underdeveloped countries (Post and Baer 1979) are only a few examples in which the ethical decision in marketing a product has been called into question. A further concern of the business world is the cost of crimes committed by employees, such as theft and embezzlement, which is predicted to reach \$200 billion this year (Knight-Ridder 1993). Corporations are recognizing a need for ethical training. A survey of Fortune 500 companies found that 79.9 percent of those responding were taking steps to incorporate ethical values and concerns into the daily operations of their organizations (Center for Business Ethics 1986).

A brief literature review will highlight the various factors that have been found to influence ethical decision-making. A description of the scale development follows. Finally, a study is described that examines the influence of the construct, ethical intention and judgment. This is concluded by the limitations of the study and future directions for research.

## FACTORS THAT MAY INFLUENCE ETHICAL INTENTIONS AND BEHAVIORS

Factors influencing ethical awareness, intent and behavior are demographic, psychographic, and situational in nature. These factors are identified in studies investigating ethical behaviors.

### Demographic and Psychographic Variables

Gender has disputed affect on ethical propensity. Many studies show stronger ethical tendencies in females than in males (Chonko and Hunt 1985; Ferrell and Skinner 1988; Goolsby and Hunt 1992; Martin 1981; Whipple and Wolf 1991). Others found gender not to be a factor in a marketer's ethical decision making (Hegarty and Sims 1979; Singhapakdi and Vitell 1990). In each case, ethical decision-making was measured as a response to vignettes or scenarios.

Ethical awareness, intent and behavior are found to improve with age (Goolsby and Hunt 1992; Longenecker, McKinney and Moore 1989). National origin was found to influence ethical intent (Hegarty and Sims 1979). A student's major field of study temporally influences the effectiveness of ethics and social responsibility classes (Arlow and Ulrich 1980, 1985).

Machiavellianism was found to have a significant inverse relationship with ethical behaviors (Hegarty and Sims 1979; Singhapakdi and Vitell 1990). Cognitive moral development (Kohlberg 1969) is identified as a key psychographic variable in



ethical decision-making (Trevino 1986). Locus of control, ego strength and field dependence were identified by Trevino (1986) as psychographic variables influencing ethical behavior. However, Singhapakdi and Vitell (1990) found locus of control to have no influence.

### **Situational Variables**

Situational variables are those over which management should have more control and as such should be of major interest. Evidence of formal or informal organizational policies favoring ethical behavior increases ethical behavior (Hegarty and Sims 1979; Singhapakdi and Vitell 1990). Hunt, Chonko and Wilcox (1984) found actions of top management were the single best predictor of perceived ethical problems of marketing researchers, with the existence of codes of ethics having no effect. Zey-Ferrell, Weaver and Ferrell (1979) found actions of peers to be influential, with personal beliefs and the beliefs of top management contributing little to behavior.

The opportunity to behave in an unethical manner has been identified by many as a significant factor in the determination of ethical actions (Ferrell, Zey-Ferrell and Krugman 1983; Lemming 1978; Zey-Ferrell, Weaver and Ferrell 1979). Other situational variables include reward systems (Jansen and VonGlinow 1985), and economic value orientation (Hensel and Dubinsky 1986; Hegarty and Sims 1978; 1979). High levels of competition are also correlated with increased unethical behavior.

### **Development of the Ethical Propensity Scale**

The following is an effort to identify and measure the individual moderators that influence ethical decision-making. Ethical Propensity is defined as the sum of distinctive individual qualities that influence one's conduct and result in demonstrated integrity and ethicality.

## **METHODOLOGY**

### **Generation of Items**

A literature search and personal interviews have revealed factors that relate to ethical behavior. Dominance, social presence, psychological mindedness, autonomy and empathy are found to be significantly related to moral judgment (Gibson 1990). In this survey, empathy is measured by the humanistic orientation of the emotional empathy

scale developed by Dillard and Hunter (1989). Studies by Mellinger, Loomis and Keeley and Ring show that someone who is trusting is also more trustworthy (Rotter 1967). Survey items are adapted from Rotter's interpersonal scale (McDonald, Kessel and Fuller 1972). Survey items regarding religiosity, a control against deviant behavior, were adapted from Rohrbaugh and Jessor's religiosity scale. Less generous people might be more envious and materialistic (Belk 1984) and more likely to act unethically to get those things they covet. Survey items for generosity were chosen from Belk's Generosity Scale.

Self-esteem items for the scale were chosen from the self-esteem scale developed by O'Guinn and Faber (1989) on the basis of Trevino's (1986) findings related to ego strength. The general self-efficacy portion of the self-efficacy scale developed by Sherer and Maddus (1982) was included to measure a belief in personal mastery. Melissa Barnett's Guilt Scale (1988) was the source of survey items to measure guilt, identified as a predictor of behavior in cheating situations by Corcoran and Rotter (1986).

Cheating and cynicism are believed to have inverse relationships with behavior. If one openly admits that they see nothing wrong with cheating, they have no reason to abstain from it. Three questions were developed by the researcher to determine the respondents' attitudes toward cheating. An individual's suspiciousness or cynicism about others may reflect their own motivations. According to attribution theory, lack clues to help us understand the behavior of others, we project our own motivations to the one we are trying to understand. Three survey items were developed by the researcher to reflect the respondents' degree of cynicism.

Machiavellianism is a construct that has often been associated with unethical behavior in general and marketers in particular (Hunt and Chonko 1984). Survey items relating to Machiavellianism were chosen from the MACH (IV) Scale, which has an alpha of .76. Social desirability survey items were derived through analysis of Ballard and Crino's (1988) article which assesses the sensitivity of the Marlow-Crowne Social Desirability Scale. Six questions were chosen from the 33-item scale to be included in the measure. The purpose is to allow an assessment of the possibility that certain questions were answered in a socially desirable manner, thus biasing results.

### **Selection of Items**

Survey items were chosen to reflect all of the aspects of Ethical Propensity. All scales in the survey were 5-point bi-polar adjective scales. Twenty-one of the 60 survey items were stated negatively to avoid response set bias. Demographics reported by the survey include gender, year in school, age, marital status, grade point average, approximate income of parents, newspaper readership, television watching, employment and major.

### **Administering the Scale**

The scale was administered to three undergraduate classes by the researcher to limit administrator bias. A written statement regarding the confidentiality of the information and the respondent's right to refuse to answer questions accompanied the survey and was read to the class. The students were asked to record the last six digits of their student ID number on the survey so responses could be matched in future surveys. 201 surveys were usable.

### **Refining the Scale**

The first test was to check the normality, mean skewedness and kurtosis of the individual variables, which were within allowable levels. A Cronbach's Alpha was used to determine the reliability of the question, producing a score of .71. Nunnally (1967) proposes that for exploratory research Cronbach scores of .50 to .60 are acceptable. Principle components analysis on the 60 variables identified 54 factors with 16 having an eigenvalue greater than 1.

On the basis of a priori criterion and the fact that 52% of the variance could be explained by 10 factors, a common factor analysis designating the desired number of factors as 10 was completed. Both oblique and orthogonal rotations were used with identical results. This led to the retention of 10 factors; however, the variables or questions included in each factor were statistically driven, rather than theory driven. In other words, the first factor contained questions, which related to generosity, guilt, cynicism, trust, and empathy rather than having each factor contain variables from one trait (i.e. Machiavellianism, guilt). Eliminating the variables with a low correlation to the total (less than .30) resulted in the elimination of two factors (reducing the total from ten to eight) and 20 variables, improving the overall Cronbach alpha to .876. Cronbach alphas of statistically based factors shown

in Table 1 as well as the correlations of each factor to the construct Ethical Propensity: Social desirability had an alpha of .51. Correlation analysis indicates a lack of social desirability bias. The majority of the factors showed a negative correlation to cynicism and cheating.

Based on an analysis of the questions that loaded on the various factors, they can be described as follows. Generosity describes one who is giving and sensitive to the needs of others, unwilling to hurt others. Self-efficacy is the belief in one's own ability to accomplish something. Cynicism demonstrates selfishness and a lack of sympathy. Religiosity reflects the degree to which one is guided by their religious tenets. Cheating shows no reluctance to cheat on assignments or tests. Self-esteem involves feeling good about yourself and liking who you are. Honesty reflects a desire for openness and truthfulness. Empathy describes a person who is unlikely to hurt others. This factor also reflects self-confidence.

To conclude, the one who scores high on the Ethical Propensity Scale will possess a generous and sensitive spirit, s/he will have high belief in their own abilities, will lack cynicism, and will be guided by their religious tenets. They will not believe in cheating, and they will have high self-esteem. Finally, they will be honest and empathetic. If such a person exists, it is difficult to imagine them behaving unethically. However, since one can never assume the seemingly obvious, the next step is to test the scale to see if there is a relationship between ethical propensity scores and ethical intentions or judgments.

## **THE EXPERIMENT**

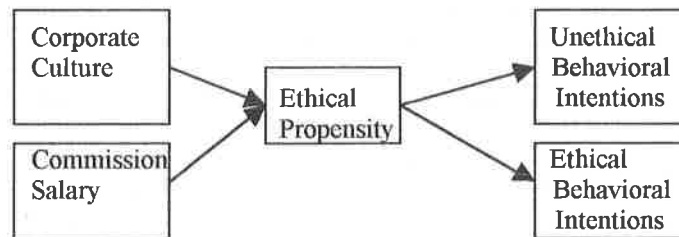
Based on the literature review that proposes the influence of personal factors and situational variables, this study investigates the extent to which Ethical Propensity moderates the influence of corporate culture and pay base on unethical behaviors. Ethical Propensity is proposed as a moderating variable in the belief that if one is truly ethical, other factors will not influence the individual to commit unethical acts. However, if one lacks ethical propensity, an unethical environment or temptation in the form of monetary gain may exacerbate the negative tendencies.

The model as shown in Figure 1 demonstrates the proposed relationships. It is believed that individuals scoring high on the Ethical Propensity scale will be more likely to act in an ethical manner. A summative score will be used to

**TABLE 1**  
Ethical Propensity

Statistically Based Factors	Cronbach Alpha	Correlation to Ethical Propensity	Correlation to Social Desirability
Generosity	.837	.523	.360
Self-efficacy	.80	.423	.303
Cynicism	.70	-.12	-.26
Religiosity	.80	.582	.043
Cheating	.82	-.03	-.29
Self-esteem	.49	.389	.010
Honesty	.39	.489	.308
Empathy	.62	.564	.310

**FIGURE 1**  
Ethical Propensity Relationships



determine if a respondent can be described as ethical. A median split will be used to make the assignment to either the high or low Ethical Propensity group.

## METHOD

### Sample and Procedure

Subjects for the study were approximately 200 undergraduate students enrolled in business classes at a Midwestern University. Subjects had previously answered the Ethical Propensity Scale in the scale development stage of research. This stage of the study asked respondents to indicate whether particular actions described in a scenario were ethical or unethical. The last six digits of the student's ID number were used to match previous answers to the scale to answers on the survey.

### Survey Design

Each respondent received one long scenario and twenty, sentence long scenarios depicting behaviors to be judged either ethical or unethical by the subject. In the long scenarios, conditions of an ethical or unethical corporate culture and pay base (salary or commission) were manipulated, holding constant the product, gender of the salesperson, the

level of competition, the customer, the selling situation and the action of the salesperson.

### Independent Variables

Corporate culture was manipulated by stating either that the company consistently looked the other way when questions arose about the tactics salespeople used to make a sale (low ethics), or that "The company has long had an outstanding reputation for honesty and integrity in their relationships with customers and places a great deal of emphasis on the Company Code of ethics" (high ethics). Pay base was represented as either salary or commission, clearly stating that, on commission, total salary depends on the amount of sales made.

### Moderating Variable

Ethical Propensity is the moderating variable. It is expected that those who are designated as principled by this scale will act more ethically. The Ethical Propensity Scale is unidimensional; though there are several factors that contribute to ethical propensity, a summative score is used to determine if a respondent can be described as ethical. A median split makes this assignment.

**Dependent Variables**

Dependent variables are: 1. an indication of whether the respondent would act in the same way as the depicted salesperson (intention), and 2. the designation of the depicted behavior as either ethical or unethical (judgment). The scenario depicts a situation in which the salesman knows that a certain product is defective and decides not to tell the customer in order to make the sale. This is a situation in which there is strong agreement regarding which is the more ethical behavior (Trevino and Youngblood 1990); that is, it is generally accepted as unethical to sell a product known to be defective without informing the customer.

**Design of the Study**

The study is a 2x2x2 full factorial design. Two of the scenarios will depict a high presence of ethical organizational culture, and two will show a low degree of ethical culture. The compensation bases of salary and commission will be alternated between the scenarios so that all possible combinations occur. The final factor is that of high or low Ethical Propensity. Each subject reads one version of the scenario which depicts a salesman choosing to sell a product that he knows to be defective to a customer (a retailer) with the full knowledge that this will cause difficulties for the retailer and the retailer's customers. Subjects were then asked to indicate if they would have behaved in the same manner, and if the action was unethical.

The second part of the study was designed to see if respondents who rate differently on the Ethical Propensity Scale respond in significantly different

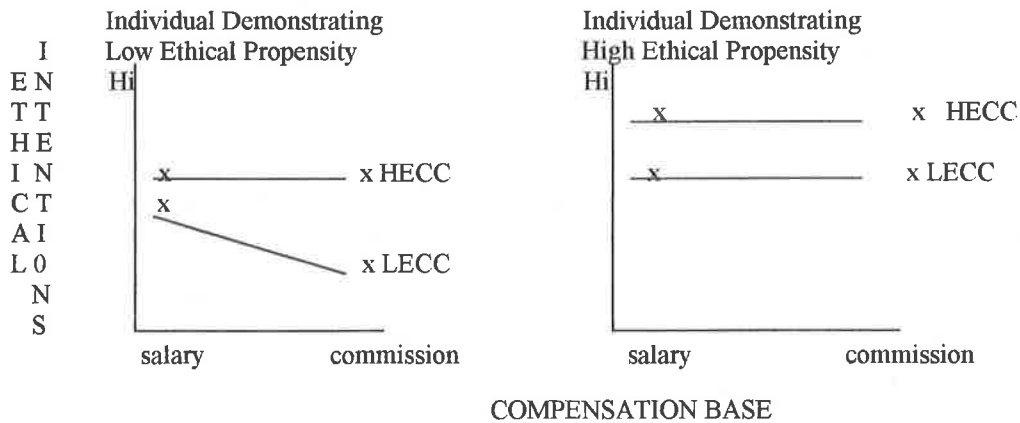
ways to situations with ethical implications. The twenty, sentence long scenarios were rated on a five point scale with anchors 'Highly ethical' and 'Not at all ethical'. These questions were taken from a study of predictors of ethical and unethical behaviors among corporate and agency advertising managers by Ferrell, Zey-Ferrell and Krugman (1983). The ratings of those with high ethical propensity are compared to those with a low ethical propensity and tested to determine significant difference.

**Propositions**

Independent variables are high and low ethical propensity, high and low corporate culture, and compensation plans with either a salary or commission base. A three-way interaction as presented in Figure 2 is predicted, where HECC indicates a high ethical corporate culture and LECC indicates a lack of ethical corporate culture.

The model indicates that those lacking in ethical propensity will act less ethically than those who are highly ethical. When corporate culture dictates a lower standard of ethical behavior, the highly ethical person may follow the norms of the company. Propositions One and Two are based on Ajzen and Fishbein's (1973) Theory of Reasoned Action, indicating that a person's intentions are predictable from attitudes toward the behavior and subjective norms. Proposition 1: The individual with a high Ethical Propensity will demonstrate slightly lower ethical behaviors when the corporate culture is unethical than when it is ethical. Proposition 2: The individual lacking in Ethical Propensity will demonstrate lower ethical behaviors when the corporate culture is unethical than when it is ethical.

**FIGURE 2**  
Three Way Interaction



As demonstrated in the model, it is proposed that while the actions of one with high ethical propensity will not be affected by differences in monetary gain, those lacking in ethical propensity will be more likely to act unethically when they are more likely to profit from it. Propositions Three and Four are based on the Theory of Psychological Egoism, which states that people act in such a way to promote or safeguard their own self-interest (Milo 1973. p 1). Proposition 3: The individual with a high Ethical Propensity will demonstrate high levels of ethical behavior whether the compensation basis is salary or commission. Proposition 4: The individual lacking in Ethical Propensity will tend to act more ethically when paid a salary than when paid on commission.

### **Analysis**

Initial tests included a univariate test for normality, homoscedasticity and multicollinearity. Data was skewed toward the answer "NO" when the questions were, 'Would you have behaved as Frank did?' and 'Did Frank act in an ethical manner?' A median split assigned the respondents into either the High Ethical Propensity or the Low Ethical Propensity category (the median point was 2.175595). Chi-Square analysis was used to determine relationships between the dependent variables and the independent variables as well as the demographic characteristics. Logistic regression was used to determine significance of the pay base, corporate culture and principled personality in determining ethical intention and ethical judgment.

Finally, a principle component analysis was used to determine if there was a relationship between the twenty, sentence long scenarios. These questions fell into six groups. A three way split was done on the Ethical Propensity Scale with the splits coming at 2.0179 and 2.3748. Chi-square analysis was used to determine if there were significant differences between the answers of the High Ethical Propensity group and the Low Ethical Propensity group.

## **RESULTS**

### **Manipulation Checks**

Manipulation checks showed that the manipulation of pay base was successful, with 90 percent of the subjects recognizing that a sale on a straight commission pay base would make a large difference in the salesman's paycheck, and 86 percent

of subjects responding that a sale would not make a difference in the salesman's paycheck if he were on straight salary. The manipulation of ethical corporate culture was not so successful. Of those responding to scenarios, which depicted low ethical corporate culture, 87 percent identified the corporate culture as unethical. However, of those responding to the scenarios which depicted ethical corporate cultures, 52 percent correctly said the corporate culture was ethical, 48 percent said the culture was unethical. The action of the salesperson was held constant in all the scenarios; he acted unethically. I believe that the subjects who labeled the ethical corporate culture as unethical were judging the culture by the actions of the salesperson. The attitude may have been, if the salesman acted unethically, the corporate culture must not be ethical. Because the manipulation was unsuccessful, results regarding corporate culture are suspect.

### **Logistic Regression of Variables**

There was difficulty analyzing and interpreting the data due to the imbalance of responses. Of 125 responses, only 17 said they would act as the salesman did. Fourteen said the salesman acted ethically. This may not necessarily be reflective of true attitudes and intentions. Of the 25 responses that were turned in without the necessary 6 digits of the student's ID number (and for that reason could not be matched to previous answers to the Ethical Propensity Scale and included in the analysis), 12 said they would act as the salesman did. This may indicate a strong desire not to be identified with that response. Due to the categorical nature of the dependent and independent variables, logistic regression is used to determine the extent of the relationship between ethical intention and ethical judgment, and ethical propensity, corporate culture, and pay base.

For the first dependent variable, ethical intention, significance was found at the .05 level for the overall equation. Of the main effects, only principled personality was significant with a P value of .0273. The odds ratio indicated that an individual in the low ethical propensity group was 4.112 times more likely to say they would act as the salesman did than those in the high ethical propensity group. No significant affects of the independent variables were found for ethical judgment. There were indications of interaction between the three independent variables, but nothing statistically significant.

## Principle Components Analysis

Six groups of questions resulted from the principle components analysis of the 20, sentence long scenarios. Chi-squares were used to determine if mean responses to the groups of questions differed between those scoring high and low on the Ethical Propensity Scale. A description of each group of scenarios as well as their Chi-square P value follows. Let the Buyer Beware included situations in which it is up to the consumer to make an informed choice, rather than to the seller to protect the consumer (ex: targeting cigarettes to teens) showed  $P=0.211$ . Legal Implications depicted situations bordering on the illegal (ex: exceeding Federal Guidelines for pollution) showed  $P=0.175$ . Questionable Practices exemplified collusion and the acceptance of bribes and gifts, resulting in  $P=.051$ . Organizational Situations showed both organizations coercing employees and employees taking advantage of employers showing  $P=.048$ . Kickbacks and Firing involved firing long-time employees in order to downsize, and bribery in countries that consider it "grease money" resulted in a  $P=.283$ . Things That Happen All the Time include software piracy and beer companies sponsoring college sporting events showed  $P=0.335$ .

## Chi Square Analysis of Demographics

Analyses were made in regard to the relationship between demographic variables and Ethical Propensity. Those in the high Ethical Propensity group were more likely to be female than male ( $P=.004$ ). Gender made a significant difference in ethical intent. No gender affect was found for ethical judgement. An inverse relationship between ethical propensity and grade point was indicated. Finally, responses of those with different majors were significantly different in regards to ethical judgment. Twenty-nine percent of those students studying fine arts said the salesman acted ethically, compared to 12 percent of business majors, 6 percent of agriculture majors, and 0 percentages for math/science and home economics majors.

## Limitations

An obvious limitation to the study and its generalizability is the use of students as respondents. There is reason to believe that, once in the work place, issues like pay and corporate culture might have a stronger effect than when reading a scenario; and, ethical propensity might have less of an effect. A further limitation is that the responses may not be totally representative of actual intents and judgments.

This is demonstrated by the number of unusable responses indicating the respondent would act as the salesperson did. This may indicate an unethical contingency with a strong desire not to be identified as such. Additionally, this data is a self-report of intentions and judgments, not observations of actual behavior under realistic conditions. Convergent and discriminant validity and reliability of the scale have yet to be tested. Analysis of the responses to the twenty, sentence long scenarios lend to the support of face validity. Finally, the skewedness of responses as well as the categorical nature of the data made analysis, at least, difficult.

## DISCUSSION

The purpose of the study was to operationalize the Ethical Propensity construct, to develop a scale to measure this construct, and to assess the value of this construct in an experiment involving ethical intentions and judgments and the additional independent variables of pay base and corporate culture. The degree to which one is ethical did make a significant difference in response to the question of intent, but not to the question of judgment. Statistical significance was not found for corporate culture or pay base. This may be at least in part due to the failure of the manipulation of corporate culture and to the skewedness of the data. The failure of the manipulation itself lends interesting insight to how an "outsider" might view a company. Companies could benefit from the knowledge that if the actions of a sales representative are perceived to be unethical, approximately 50 percent of observers may also perceive the corporate culture to be unethical, even when there is evidence to the contrary.

The gender effect reported by previously mentioned researchers was supported in regards to ethical intent, but was not supported in regard to ethical judgment. It is difficult to determine here if females are unwilling to judge the actions of others in regards to ethicality, or if they are simply more willing to allow their perceptions of the ethicality of a situation to determine their behavior. Grade points were statistically different for high and low Ethical Propensity groups. Possibilities for this include factors of self-esteem, self-efficacy and attitudes toward cheating. The differences between high and low Ethical Propensity groups were statistically significant for situations depicting blind bidding, expensive gifts from suppliers to purchasing agents, coercing employees to contribute to political action committees to be used to support candidates with views consistent to the firm, and the personal use of

company frequent flyer miles. Differences were not significantly different in questions regarding the rights of manufacturers to target and advertise and the consumer to choose, when legality was a question, in events that might be deemed common practice, and in the instances of kickbacks and firing of long-term employees to save money.

Further work is necessary to refine the scale and efforts made to test the effects of Ethical Propensity in a manner more generalizable to the population. There are, however, strong indications that Ethical Propensity is a viable influence of ethical intentions. This is supported by the fact that those in the low Ethical Propensity group were 4 times more likely to indicate they would act as the sales person did than those in the high Ethical Propensity group. Without doubt, the construct merits further research.

#### FOR FUTURE RESEARCH

Future research would be needed to determine the relationship between Ethical Propensity and CMD in the ethical decision making process. Lemming's (1979) study showed that under the situation of low supervision students in both the high and low groups on Rest's Defining Issues Test (1969) engaged in cheating behaviors. People who were deemed to demonstrate high levels of Cognitive Moral Development did not conform to the societal norm of not cheating. Here, the effect on ethical behavior is situational.

Kohlberg (1969) identifies level three in CMD as the post-conventional or principled level, which includes an awareness of relativity and the adoption of self-chosen principles based on the respect for human dignity. The key word here is relativity, again pointing to the influence of the situation. It seems logical that the ethical behavior of

high CMDs will be influenced by the situation. It would seem beneficial to determine in what situations high CMDs and those possessing a high Ethical Propensity will deviate from ethical norms.

Situations involving ethical behaviors can be typified by the number of actors that are directly involved or who will be affected by the behavior and their relationship to the decision maker, and the magnitude and direction of the effect or consequence of the behavior. I propose, in future research, to develop scenarios that vary these factors (number and relationship of actors, direction and magnitude of consequence) to determine under what situations high CMDs and those with high Ethical Propensity conform to norms and when they differ.

Support for this proposal comes from two sources. In a Milgram (1963) study, where the experimenter orders the respondent to give an experiment confederate electric shocks of increasing intensity, only 13% of low CMDs refused compared to 75% of high CMDs (Kohlberg 1969). Blass (1991) suggests that behavior is a product of both personal and situational factors. Ferrell and Gresham (1985) relate the effect of significant others in ethical decision-making. Based on role set theory, they propose that organizational distance between individuals influences ethical decision-making. Zey-Ferrell and Ferrell (1982) found that "the referent other closest to the focal person was the strongest predictor of ethical/unethical behavior." While this has to do with the example demonstrated by associates within an organization, it also has to do with proximity. The behavior of the focal person should logically differ dependent on the proximity of the receiver of the consequence of the action, and the nature of the consequence.

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