

**THE 1999 MARKETING MANAGEMENT ASSOCIATION  
PROCEEDINGS**

Dear Marketing Management Association Members:

It is with great pleasure that I present to you the 1999 Proceedings of the Marketing Management Association spring conference.

The papers and abstracts included in this volume represent the scholarly efforts of talented marketing professionals. My sincere thanks to all who submitted articles for this conference and kudos to those who are published in this volume. Your work forms the heart of the conference.

The following pages, along with the other conference activities, represent the year-long work of the 1999 Program Chair, Gene Wunder. The quality of the papers and the program he has designed for us are a tribute to his efforts and merit our sincere thanks and heartfelt gratitude. Thank you, Gene, for a job well done.

No program of this size could be accomplished without the help of others. Congratulations are due the track chairs, reviewers, discussants, and others who helped Gene put together this fine program. Thank you all for supporting the MMA by doing this valuable work.

Once again, Dale Varble and Robert Green, our primary proceedings editors, have done a first-rate job by guaranteeing our proceedings have been professionally produced. Thank you for all your work and expertise, Dale and Robert. The Proceedings look great!

1999 is the MMA's 21st year providing you, the members, a forum for professional development, discussion, and growth. These Proceedings are a tribute to your membership and participation. On behalf of the MMA Officers and Board members, I want to thank you for your continued support.

Yours very truly,

Karen A. Glynn  
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<b>TABLE OF CONTENTS</b>
--------------------------

The Future of Retail Curricula: an International Survey of Retail Programs <b>Irena Vida</b> .....	1
Gotmo: an Experiential Learning Opportunity <b>Brian R. Hinrichs</b> .....	7
Measuring the Effectiveness of Creativity Training: a Pilot Study <b>Timothy P. Schweizer</b> .....	11
Marketing Tactics of Antique Dealers: Implications for Business Practices of Entrepreneurs <b>E. Wayne Chandler, Thomas C. Patton</b> .....	23
The Use of Strategic Alliances by Class I Ltl Motor Carriers: Opportunities for Service Expansion into Warehousing <b>Joe B. Hanna, James T. Kenny</b> .....	28
Transportation Buyer's Perceptions of Entrepreneurial Customer-seeking Express Delivery Companies <b>Brent Whitaker, Jack L. Sterrett</b> .....	29
Fragility and Responsibility <b>Alan Brokaw, Thomas Merz, Terry Monson</b> .....	35
To Be (A Teacher) or Not to Be? That Is the Question. <b>Jeri Lynn Jones, John Lewis</b> .....	40
Assessing Student Satisfaction: An Approach to Help in the Development Of Marketing Strategy for a University <b>Kevin Elliott, Dooyoung Shin</b> .....	45
Advertising Slogans and University Marketing: an Exploratory Study of Brand-fit and Cognition In Higher Education <b>Oscar McKnight, Ronald Paugh</b> .....	50
Some Thoughts About E-Mail: Friend or Foe to Marketing Managers? <b>Richard Slovacek</b> .....	56
Seasonal Sellthrough: An In-class Exercise <b>Paul T. McGurr</b> .....	59
Assessing Market Factors Using the Worldwide Web - a Distance Learning Pilot Study of Agricultural Equipment Dealers <b>Lynn Anderson Schramm</b> .....	64
Factors Influencing Elderly Learners' Participation in Educational Activities with Implications for Educational Programs in Marketing <b>M. Wayne Alexander, Alan MacDonald</b> .....	69

<b>TABLE OF CONTENTS (cont'd)</b>
-----------------------------------

The Year 2000 Computer Problem <b>Bella Soares, Mary Blalock</b> .....	75
Jurisdiction in Cyberspace: Whose Law Controls? <b>John W. Yeargain, Zhu Jing</b> .....	79
The Great Cookie Controversy: Delicious to Online Marketers But Distasteful to Internet Users <b>Josie V. Walker, Jeff Arrigo</b> .....	84
The Undergraduate Statistics and Marketing Research Courses: A Codependency Relationship <b>Peggy O. Shields, Timothy J. Schibik</b> .....	85
From International Marketing to Global Business Education <b>John Thanopoulos</b> .....	92
Teaching Marketing Turns on Return <b>Suzanne Desai, Arun Desai</b> .....	97
Some Empirical Data Regarding the Structure of Marketing Programs <b>Bert J. Kellerman, Jack L. Sterrett, Hsiu-Hui Wang</b> .....	102
Managerial Well-being Triumph Over Job-Related Stress <b>Mary B. Blalock, Anthony Paul Blalock</b> .....	108
The Business Impact of Intranets <b>Martha E. Blachandran, Marco F. Manchone</b> .....	112
Ecological Sustainability and Marketing Strategy: Review and Implications <b>Hector R. Lozada</b> .....	113
Burned Popcorn and Broken Crystal Balls: Beware of False Prophets Bearing Food <b>Ed Chung, Hiroshi Nakamura, Amy Spielbauer</b> .....	118
Retail Gross Profit: a Stage by Stage Analysis <b>Paul T. McGurr</b> .....	124
Role of Internet Advertising in Marketing Communication Strategy <b>Avinash Waikar, Bongi Dondolo</b> .....	129
The Future of the Internet <b>Sandra McKay</b> .....	130
The Importance of Store Characteristics on Consumer Patronage: a Comparison Across Four Sources <b>Michelle B. Kunz</b> .....	133
Race-ethnic Variations in Service Quality Retail Clothing Shopping Experiences: a Servperf Comparison <b>Kimball P. Marshall, J.R. Smith, Glenda Glover</b> .....	138

**TABLE OF CONTENTS (cont'd)**

An Inquiry into Some Antecedents of Consumer Domestic Purchase Behavior <b>Irena Vida</b> .....	139
Multivariate Cluster Analytic Model of Benefit-based Market Segmentation: a Case Study from the Recreation and Leisure Industry <b>Dana A. VanDen Heuvel, P. Raj Devasagayam</b> .....	145
Using Electronic Survey Methods to Measure Perceptions of Banks Versus Credit Unions <b>Martin S. Meyers, Gary E. Mullins</b> .....	150
The Effects of Randomized Scales on Scale-checking Styles and Reaction Time <b>P. Raj Devasagayam</b> .....	155
The Ethics of Relationship Marketing: an Effective Strategy or an Unwelcome Intrusion? <b>Nora Ganim Barnes</b> .....	159
Omnipartial Rule-making in Emerging Industries <b>Sharon V. Thach, Richard P. Banham, William A. Perry</b> .....	163
Real Estate Sales People Hate to Cold Call: Could Ethics Play a Role? <b>Shawn Green</b> .....	169
Anti-competitive Marketing Practices in the Airline Industry: a Public Policy Perspective <b>Terrence J. Kearney, Richard Robinson</b> .....	174
Guardians of Knowledge Dissemination: the Case of the Journal of Consumer Research <b>Michael Luthy</b> .....	180
Generation X Looks at Religion and Spirituality <b>Robert D. Montgomery, April Harris, Mark Andrew Mitchell, Donald Yates</b> .....	185
Ted Levitt and Service Strategy: An Essay on a Services Approach to Manufacturing <b>Frederick B. Hoyt</b> .....	190
Measuring TQM Effectiveness: A Non-Economic Approach <b>Carl L. Saxby</b> .....	193
On the Value of Gap Analysis In Service Quality Measurement <b>Brian Engelland, Letty Workman, Mandeep Singh</b> .....	194
A Content Analysis of Product Placement in the Top Ten Major Motion Pictures of 1997 <b>Patrick Nicklay, Julie Toner Schrader</b> .....	195
Commercial Clutter and the NFL <b>Newell Chiesl</b> .....	201

**TABLE OF CONTENTS (cont'd)**

Scratching the Surface in Cross-cultural Analysis of Magazine Advertising <b>Andrew Tarlos, John S. Bowdidge</b> .....	205
The EMU Vision Moves toward Reality: International Marketing Implications of the Euro Become Clearer <b>Alfred C. Holden</b> .....	210
Legal Service Advertising: Does Consumer Income Level Make a Difference? <b>Debra Bramblett, Nabil A. Ibrahim, Barbara Coleman Andrews</b> .....	215





# THE FUTURE OF RETAIL CURRICULA: AN INTERNATIONAL SURVEY OF RETAIL PROGRAMS

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## ABSTRACT

*The purpose of this study was to gather retail educators' viewpoints regarding the current state and future directions of retail curricula development. In doing so, trends have been identified, and implications for higher education institutions, which plan to position themselves to most effectively meet the needs of all the stakeholders in retail education in the forthcoming millennium, have been highlighted.*

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## INTRODUCTION

As a result of the pressures for accountability and in pursuit of valid measures of student learning performance, institutions of higher education are continuously pressured to evaluate programs and determine their strengths and weaknesses (Miller, Chamberlain, and Seay 1991). Moreover, retailing (and marketing) programs are often challenged with the criticism of business practitioners that graduates need more job-related skills and 'useful' information rather than theoretical knowledge (Morris 1995). Challenges abound, it is clear that a reassessment of educational curricula in the area of retailing is necessary for a number of reasons. It has been noted by various scholars that similar to the case of the retail industry and retailing thought, retail curricula are experiencing a period of change (Mayer 1989; Mikitka and Stampfl 1994; Sheth 1983; Brown 1987). A number of business administration schools in the U.S. have abandoned their retail programs due to its pragmatic nature. However, an increasing demand for qualified retail professionals in the 1995-1997 academic job searches indicates the need for high quality retail programs, which involves modifications of the retail curriculum related to altering instructional formats and emphasizing of some content areas while de-emphasizing others.

An international survey of retail educators' views was undertaken to assess the current state and future directions of retail curricula development, and to identify trends relevant to needed retail program revisions. The primary areas of concern in this survey included an evaluation of teaching and pedagogical issues, various content areas within retail specific

curriculum, the relative importance of the retailing content areas, and perspectives towards retailing in teaching and in research, as well as an assessment of retail stakeholders' impact on curricula.

## CONCEPTUAL UNDERPINNINGS AND METHODOLOGY

A questionnaire was based on preliminary interviews with retail scholars in the U.S., and on the pertinent literature on challenges and concerns the retail discipline has faced in recent years, i.e., issues believed to be influencing the future of retail teaching, research and practice (Berry et al. 1990; Shiffman and Kanuk 1997; Lindquist and Samli 1985; Mikitka and Stampfl 1994). Based on the literature discussing traditional and evolving pedagogical issues and teaching formats employed in disseminating knowledge in classroom settings (Arnold and Adlai-Gail 1996; Seibert 1997; Howard and Ryans 1993; Johnson 1995), thirteen items in the questionnaire captured teaching styles and student performance evaluation formats. Twenty-eight items surveyed various content areas of retail-specific courses, their emphasis in the present curriculum and necessary changes in the future given the changing requirements of the marketplace. The same categories were used in assessing priorities for future retail research agenda. Categories of the retail content areas were framed within the context of the definition of retailing by Berman and Evans (1998) and the survey of the literature. Relative importance of major content areas of retail research and teaching investigated, and perspectives towards retailing were adapted from taxonomies provided by Lindquist and Samli (1985); Rosenbloom and Schiffman (1981) and Schiffman and Kanuk (1997). Current, future and desired

impact of various constituencies influencing the content and quality of retail programs assessed in this study were educators, students, the industry, the university administration and the government.

Information for this project was gathered from retail scholars who teach and conduct research in institutions that offer higher education programs in the area of retailing in Europe, the United States and Australia. The survey was distributed in Europe at an international conference with the focus on retailing, consumer behavior and distribution related issues. Since this bi-annual meeting attracts scholars from most of the Western world, including Australia and Japan, the setting seemed appropriate and valid for obtaining data on issues addressed in this study. Of the 79 surveys distributed, 38 usable questionnaires were returned, representing a response rate of 48 percent (a follow up mail survey is planned). Considering the exploratory nature of this research effort, the data were analyzed using frequencies, descriptive parameters, percentage tables and t-tests.

### FINDINGS

Surveys were completed by 18 European retail scholars (9 from the UK, 3 from Ireland, 3 from the Netherlands and 4 from France), 18 scholars from the US and 2 from Australia. Within their respective institutions, participants occupied positions at the assistant professor (10), associate professor (11), full professor (12), instructor/reader or other (5) level. On the average, respondents had almost 13 years of teaching experience, almost 7 years of experience in the industry, 8 years in consulting and 6 years of experience classified as 'other' experience (referring to projects conducted for governments, university administration, etc.). Twenty nine percent of the respondents held masters of science or masters of business administration degrees, while 69 percent held a doctorate in business or related disciplines, the majority of which were obtained in the US (53 %) and in the UK (32 %). The respondents were employed in public and private educational settings. Thirty-three educational institutions were public institutions and four were private higher education schools. The highest degree offered by these institutions were doctoral programs (25), masters of science or masters of business administration (10), and 3 institutions offered the highest degree other than the classified ones.

#### Teaching Styles, Pedagogy and Student Performance Evaluation Efforts

Educators were asked to evaluate current

emphasis on, and future needs of various teaching techniques, the use of instructional technology and student performance evaluation formats. Currently, lecture sessions, class discussions, guest speakers, team projects and experiential learning (internships and practical training) appear to dominate the teaching of retail related courses. Interestingly, the use of fieldtrips and instructional technology (e.g., computer simulations, the Internet, class list serves) were presently not widely utilized; these are considered only 'somewhat' important. As for current evaluation techniques of student learning performance, standard exams/quizzes and term projects seem the prevalent formats. Oral reporting and in-class presentations are, according to our respondents, not particularly important at the present time. As for the educators' opinions regarding the changes necessary in the future, some aspects of teaching formats and pedagogy will have to be revised. The use of discussions in the classroom, case studies materials, team projects, the use of Internet as instructional tool, and learning performance evaluation formats such as term papers and oral reports will find considerably more emphasis in the future. Educators saw the need to de-emphasize lecture style and the present use of standard exams and class tests. Paired t-tests were performed to compare the importance of various techniques as they are currently used and deemed important in the future. The mean differences for all thirteen items were significant at the 5 percent significance level, the use of lectures and exams/quizzes was considered significantly less important with all other items were considered significantly more important for future use in the classroom.

#### Content Areas of Retail Courses

Based on the mean responses regarding the current emphasis of the retail mix elements in present curriculum, it was observed that product aspects obtained the highest importance rating, whereas areas related to services, pricing, channels of distribution, location and promotions were about equally emphasized, and personal selling techniques was seen as less than important content area. With respect to future needs to modify retail mix content areas, services and channels of distribution obtained the highest rating, followed by pricing issues. Comparing current content area emphasis with future needs, paired t-tests showed that the same three areas (services, channels of distribution and pricing) needed significantly more emphasis in future curriculum.

*The operational-management considerations*

*content areas* with above average emphasis in present curriculum were related to the store image, retail formats, financial concerns, market segmentation and retail strategic issues. Interestingly, survey participants saw the market opportunity analysis, and retail technology as not particularly critical at the present time, and the content area of store design, layout and display was viewed as less important. When present emphases were contrasted with future needs to accentuate these content areas in the retail curriculum, paired t-tests revealed the need to significantly increase the emphasis of all areas except the financial considerations (above 0.01 significance level). The respondents believed that the following areas need especially careful consideration in future retail courses: retail technology, strategic issues, new retail store formats and market opportunity analysis.

In regards to *the consumer behavior content areas*, educators believed that the consumer decision process, consumers as individuals, consumer research and communication are dominant areas in current consumer behavior curriculum. Cross-cultural consumer issues as well as group dynamic behavior appear to be somewhat neglected areas in current consumer behavior courses. In comparison, all consumer behavior content areas are believed to need significantly more attention in the future curriculum, in particular the two areas related to cross-cultural consumer behavior and consumer research techniques. Paired t-tests revealed the need to significantly increase the emphasis of all consumer behavior areas in the future, except the consumer decision making process (no significant increase at the 0.05 level), which presently receives sufficient attention.

With respect to the evaluation of *macro environments in retail curriculum*, the respondents considered only three content areas to have beyond average importance in present curriculum: retail competition, international retailing and socioeconomic factors. Political factors, legislative considerations and overall economic factors received low scores on the mean emphasis in present curriculum. With respect to future needs, the respondents rated international retailing and retail competition issues as the most critical content areas. Comparing present and future emphasis of macro factors in retail curriculum, paired t-tests revealed that educators believed all macro factors but political aspects ought to receive significantly more attention in the future.

### **Relative Importance of Retailing Content Areas in Teaching and Research**

Survey participants were also asked about their

opinions regarding the relative importance of the four overall content areas with respect to the present emphasis and future needs in teaching, and with respect to the present emphasis and future needs in retailing research. Currently, participants concentrate most of their teaching efforts on the retail mix elements with strategic emphasis (32.00%), followed by operational-management considerations and consumer behavior (25.00% and 24.5%, respectively), while macro issues received the least relative emphasis (18.00%). As it is apparent from the relative percentages assigned to future needs in teaching, no modification of teaching priorities is necessary in the future curriculum, according to this survey respondents. With the exception of slightly stronger emphasis on operational-management considerations in the future (26.50%) as compared to present emphasis, and slightly less emphasis on consumer behavior in the future (21.50%), the future teaching priorities of the four areas are almost identical to current priorities.

As for the emphasis of the same content areas on current and future research efforts, retail educators believed, on the average, that consumer behavior issues (29.00 %) as well as the retail mix elements with strategic approach (28.00 %) are best represented in published retail research, followed by application research focusing on operational - management considerations (25.50%). As in teaching, the least represented retail research area is related to macro issues. With respect to the future needs in retailing research, educators, on the average, believed that more balance is necessary across the four areas; the retail strategic mix elements still receive the most of their research time and efforts (30.00 %), an almost equal representation of consumer behavior and operational-management considerations (24.50 % and 25.50 %, respectively). Our respondents clearly saw the need for an increased effort in researching macro retailing issues in the future (21.00 %) as compared to current efforts (18.50%).

### **Perspectives Towards Retailing: Teaching and Research**

Furthermore, respondents were asked to rank four theoretical underpinnings of retail curriculum and research: the retail management perspective, the macro-economic perspective, the distribution channel perspective and the social institution perspective (Rosenbloom and Shiffman, 1981). While respondents were asked to evaluate these perspectives separately as deemed important in current and future curriculum as well as in current and future retailing research, no

differences in the overall ranking were found. The results indicated that in terms of importance, the retail management perspective is the most critical, followed by the distribution channel perspective and macro-economic perspective. The social institution perspective was perceived as the least valuable perspective with respect to teaching as well as research. Surprisingly, participants in this survey anticipated no changes in the importance of the retailing perspectives in either teaching or research in the future.

### **Impact of Various Constituencies on Retail Curriculum**

Finally, the respondents were asked to express their opinions regarding current, future, and desired influences that five retail education stakeholders exert on retail programs. In descending order of importance, educators were ranked as the most influential constituency at the present time, followed by an equal importance of students and the industry, then the university administration and finally the government. The future influence ranking was, on the average, perceived somewhat differently in that respondents believed the industry will have the strongest influence on the retail education in the future, with educators and students holding second place, followed by the university administration and the government. The ranking of desired influences of the five constituencies appears quite straight forward. In descending order of importance, the industry should have the most impact, followed by the educators, then the students, followed by the university administration and the government.

### **DISCUSSION AND CONCLUSIONS**

In response to the highly dynamic nature of retail industry, retail educators and researchers are constantly pressed to adapt retail curricula to meet the needs of an increasingly technologically advanced and global marketplace. Similarly, to continuously improve the relevance of retailing in higher education and to meet the needs of their multiple constituencies, retail scholars need to reassess the scope, significance and relevance of their activities. This investigation offers some insightful findings. Overall, the surveyed educators believe that several changes need to be incorporated in the future retail curriculum in relation to pedagogical formats and content areas within retail courses. While participants did not believe that any of the current teaching methods or content area elements should be completely eradicated in the future, stronger emphasis is clearly needed in some aspects of retail curriculum in order to assure further

rigor of retail education programs. On the other hand, issues such as the relative importance of content areas in retail curriculum and research, theoretical perspectives toward retailing, and retail education stakeholders' impact on retail education do not need to be dramatically altered in the future.

Pedagogy and teaching formats need to be altered to enhance communication and team working skills of retail program graduates. Retail scholars felt strongly about having to encourage more student-instructor and student-student interaction through the use of class discussions rather than lectures, and to emphasize performance evaluation techniques with comprehensive written projects and effective student presentations. Clearly, the results indicate that more interaction among the students themselves is needed (in person or via electronic media) to facilitate students' team management and leadership skills as well as communication abilities. Another major change that emerged from this study relates to the use of advanced instructional technology in the classroom, more proactive utilization of electronic media, which has also been noted in recent publications (Arnold and Adlai-Gail 1996; Montgomery 1997). While no single teaching style will suffice to adequately prepare retail professionals of the future, the diversity and some shifting of priorities are expected for growth to occur.

In search for a proactive development of appropriately identified retailing competencies, several changes have been noted within the content areas of retail courses. There is an indication that content areas such as retail services, channels of distribution, retail pricing, retail technology, new retail formats, strategy development and market opportunity analysis, cross-cultural consumer behavior and consumer research, as well as macro retail issues (particularly international and competitive aspects) need significantly more attention in the future curriculum. With respect to the relative importance of the four broad content areas in the retailing curriculum, educators believed that in teaching future retail practitioners, retailing mix elements with strategic emphasis need most attention in the classroom. The priorities change, however, when the same categories are evaluated as priorities for future retail research. While research of retailing mix elements remains the top priority, more balance is needed in the other three categories, and the need for increased research effort of macro retail issues is observed. Participants almost unanimously agreed that with respect to the theoretical underpinnings of retail education and research, the retail management perspective toward the discipline is the most critical, followed by the distribution channel and macro-

economic perspectives. Social institution perspective was rated as the least critical in both current and future education and research.

As for the role of the retail education stakeholders' impact on the retail curriculum, insights gained from this study are rather interesting. Comparatively, the changes between current, future and desired ranking pertained to the influence of the industry, which will be, according to our respondents, most influential in the future (which is also desired), the educators, which will have equal importance as the participants of the learning process (students) in the future. According to our participants, the industry would ideally exert the most influence on retail programs, followed by professors, who also believe that the influence of students should be de-emphasized in that they should influence the content of their educational programs only after the industry and professors.

This study attempted to furnish some answers regarding the current state and future modifications of and provide directions for retail education in the next

millennium. Yet, in view of the limitations of this research effort, several issues remain unresolved. For instance, this survey has not addressed the differences in retail content areas as they pertain to undergraduate vs. graduate programs, which are clearly distinct. Moreover, further insights are necessary with respect to how scholarly research in retailing shapes the content of current and future retail courses. Given the relatively small although representative sample of retail educators, an analysis of teaching techniques, content area emphases and perspectives towards retailing in teaching and research has not been provided to distinguish the type of institution and the program within which retailing majors are offered. Issues have been raised in the literature in relation to the rigor of retail education programs offered as a separate discipline and as a specialty or sub-area within marketing programs (Mikitka and Stampfl 1994). As recognized by Lindquist and Samli (1985) more than a decade ago, serious research shortages exist in the area of retailing education, its scope and relevance to all the stakeholders in retail education. Hence, opportunities for further investigations abound.

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# GOTMO: AN EXPERIENTIAL LEARNING OPPORTUNITY

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## ABSTRACT

*Ever wonder what a GOTMO (pronounced Got - mo) is? This paper examines this intriguing "product" that can be used in an experiential learning project. This paper examines project setup, use, implementation, and evaluation. Participants are able to work with representative GOTMOS to develop an experiential learning activity for marketing classroom use.*

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## INTRODUCTION

### Scope

A GOTMO pronounced "Got mo" is not a creative marketing sales computer simulation, but a creative and unique "product" that presents an experiential learning opportunity in the classroom. GOTMO's are products that are used to help market the services of Kelly Temporary Services - an organization familiar to most throughout the country for the provision of temporary business worker help for a fee. These intriguing "products" are sent to human resource executives in firms and organizations of all sizes. The GOTMO simply sits on one's desk, generates discussion at all levels within the firm when shared, and causes most people to pick up the phone and call Kelly to ask, "What in the world is it?"

This work relies on a creative and original approach to marketing promotion and the sales content areas mentioned earlier. As such, it is not focused on integrating the literature, but it is situated as first an experiential learning opportunity through a unique and original classroom project and second as a prelude to continuing to analyze the positive results of its use in a later and forthcoming research work. Specific areas of use would include the provision of an in-depth understanding of features, advantages, and benefits (FABS), the creation of a sales presentation built around the GOTMO, and the use of strategic selling and targeting in actually presenting the product to prospective customers. The GOTMO, in its many shapes and forms, provides a myriad of opportunities in the classroom for a hands-on project that can involve students at the individual, group, and class levels. Successful use requires planning and implementation before the fact; details of which are included in this work.

### Acquisition

First and foremost, the instructor considering the use of the GOTMO has to acquire the product in its various forms. This can be accomplished in a few ways. First, and most obvious is the receiving of the product from a local firm or organization through an executive in the human resources area. On the surface this seems elementary, yet such a pursuit can get people talking about what one is doing in the classroom and can even lead to other opportunities. This author has been able to use this connection to help bring marketing executives into the classroom and even to be able to get a foot in the door for a student internship experience through involvement in the project. Second, the GOTMO can be acquired from Kelly Temporary Services directly by calling the organization or one of its branch offices. Given this author's extensive use of the project at various points in different marketing classes; this second option was explored and proved to be more than successful. From the use of this strategy, the author received two cases of GOTMOs, inquiries regarding their use, and another connection between students and organizations (in this case needing or providing marketing position leads). Finally, one can acquire GOTMOs through time as a new one comes out with each marketing strategy cycle at Kelly and again this also provides another opportunity for interfacing with businesses.

### Packaging

Each GOTMO comes packaged in its own box that is about the size of one's palm of their hand. In each brightly colored box is a short note from the Vice-President of Marketing at Kelly (Tony Zand). The message is simple; "this is a product no one has heard of

and one that may have more than one particular use. If you need help in finding out its use - give us a call". The message is intriguing and the product tends to not only "grab" the executive to whom it was sent, but it also tends to "grab" both the professor and the student in its use in an experiential project setting. Experience has shown, as was confirmed by calling and subsequent conversations, that people do pick up the phone and do call to find out what the GOTMO is and what it means. Such a point can be highlighted in terms of a discussion regarding marketing objectives and can also lend itself to marketing strategy insight through presentations and conveyance of materials. Finally, each GOTMO is packaged on the inside of the box with a simple plastic envelope.

### Setting

Once GOTMOs are acquired, the need exists for finding out an initial use or uses of the product. This can be accomplished easily by calling the organization, yet to do so among one's colleagues in the marketing department is much more fun and interesting. At first, colleagues will not think the approach is serious, yet the GOTMO also provides a neat team-building exercise among people who not only work together, but also share an interest in marketing, selling, and in teaching and learning approaches. Once an initial use is determined, either through calling, team-building, or brainstorming, the stage is set for use in the classroom project.

## PROJECT USE

### Objectives

In order for the maximum amount of learning to occur, it is imperative that objectives are established first in terms of use of the GOTMO. Objectives may include:

1. Generating features of the product or physical attributes.
2. Generating advantages of the product or important characteristics that distinguish the product from other products that may be available.
3. Generating benefits of the product in use or how it may be advantageous to the targeted user.
4. Integrating the GOTMO into a prepared (canned) or custom (needs, problem-solution etc . . . ) sales presentation.
5. Targeting the type of individual that may use the GOTMO in his or her work or in general living.
6. Providing opportunities to get the department involved or even the larger campus community

by creating those targets for selected sales presentations.

7. Evaluating sales presentations using the GOTMO and selected target customers via an evaluation of both written and video sources concerning the presentation.
8. Providing feedback to the student and a debrief of the experience while at the same time providing the transition to the selling or promotion of other products and/or services in similar or related settings.

Any or all of the above objectives can be built into the project depending on the setting; whether it is a marketing fundamentals class or a more specific sales promotion class. Objectives can be included in an assignment handout and should be discussed prior to the experience. Finally, objectives should be flexible as GOTMOs may fit in other content areas and they may lend themselves to creativity on the part of the instructor as to use and appropriateness.

### Planning

The first activity to plan requires class time to discuss the GOTMO in terms of the first three objectives presented earlier. To generate features, advantages, and benefits for the product requires class time. Hints in this area include:

1. Cover the fundamentals of FABs prior to the introduction of the GOTMO. The GOTMO will reinforce concepts covered earlier and allow another chance at emphasis.
2. Provide enough class time for discussion of the above. Allow groups of four to five students to work together using the same GOTMO. This activity should take about a half an hour of time.
3. Once groups have completed their activity and have recorded their FABs on paper, they should present them to the rest of the class. Here it is important that more than one group has the same GOTMO and that their groups have different GOTMOs that are able to be visible and shared.
4. Then as a class, time should be provided to discuss the uses and make a final list. The next step is harder as the FABs have to be integrated into a sales presentation.
5. Generate potential customers for the product. Customers work best when they are "real" and they are spread out across the campus. Contact these customers as to their availability to visit



- with students.
6. Make provision to have presentations recorded (video tape preferable). This may require some work in terms of rooms, actual use, and comfort level of the customer.
  7. Make provision to have a checklist of what customers should look for in the sales presentation done by the student. This checklist can be valuable later in the debrief exercise.

student's knowledge of use and flexibility in adapting.

-Having distractions such as the customer inviting in another colleague to hear the presentation or switching offices or settings to hear the presentation with other people.

-Having the customer cut the student's time short or have a priority as to a meeting that makes the student convey the GOTMO in less time while still asking for the business.

### Adjustments

When planning this experiential project it is key to be sure to plan for objective seven above; namely the use of video recording devices for later presentations. Key in this part is that the video recording equipment is not too evident, that the customer is also comfortable with its presence, and that the student is aware of its use as a classroom learning tool. Other hints in this area relating to planning include:

1. Talk with potential customers before the actual presentation to seek their involvement and convey their importance in student learning.
2. Develop a schedule of time that they would be available to meet with students.
3. Develop a "customer profile" in sketchy detail for each contacted "customer".
4. Give some history to the profile, but importantly not history concerning the GOTMO or the product.
5. Convey the checklist for evaluating the student and be sure to discuss its use.
6. Do not share the actual GOTMO product, but simply convey that it will be an innovative product that will have use in their life and in the student's learning.
7. Build in obstacles to the straightforward sales presentation.

Within the actual setting, planning can include the various challenges. Some of these challenges, used in the past, have included:

- Having distractions such as fake phone calls to the customers and other interruptions during the presentation as in knocking at the door and interrupting the conversation.
- Having the customer "walk and talk" or move out of the office with the student during the sales presentation.
- Having the customer try out the GOTMO in the office or other setting and challenging the

Each of the above adjustments can be incorporated to a greater or lesser extent in the project. It is preferable that students know that such things are coming within the presentation and that they are genuine and that they should be prepared. Such adjustments also allow the level of challenge to be individualized and maintained given varying levels of comfort and experience with such an assignment.

## PROJECT EVALUATION

### Making it Work

One week before the project, various pedagogical methods were used to convey features, advantages, and benefits with a lecture leading toward the creation of a sales presentation. During the course students prepare and present various presentations with varying levels of depth and preparation. The GOTMO experiential exercise builds toward the culminating sales presentation assignment in the course. Students met outside for discussion and recording of FABs while a follow-up class integrated group results with material from the text and/or readings. The references of this work include the books used in the course and some additional sources to consider. Planning in this implementation included eight "customers" from around the campus as described earlier. Additionally, a schedule of "appointments" was set up for each of the students in terms of customers to visit. The goal was to have more than one visit, visits that were different in terms of situation and customer, and visits that did not total more than four per student during the available time. Scheduling was done as shown in the attached handout with the help of assistants to aid coordination. Finally, a profile was developed for each customer.

### Evaluation

Evaluation in the GOTMO project relates to both the project mechanics and the learning inherent in the project's use. Evaluation components include:

1. Evaluation checklist completed by each customer of the students.
2. Video grading and evaluation by the professor and shared comments with the student.
3. Discussion and critique of videos in class with the purpose being improvement and the ability to learn from others in the class in addition to learning from one's own mistakes.
4. Discussion and tie-in to class materials and/or text materials again with an eye toward improvement in use.

Such an experience is often humbling on the student's part, especially if interruptions are included and not well received. In terms of strengths, the project first provides the ability to bring the real world into the classroom in a setting where there is little risk of consequence given a less-than-perfect performance. Second, the GOTMO project allows students to think outside the box with products that neither they nor the customer has ever seen before in their experiences. This is preferable to student selection of products or services and the use of "fake" customers or even simulations. The latter use is good for more advanced students that are honing skills after the basic course. Additionally, the project allows for greater discussion and interaction not only among the faculty and

the students, but among the faculty member and the larger campus and departmental communities. Third, the project allows the material in marketing promotion to live and come alive for the student.

### Future

Once set up, the GOTMO project allows for a nice blending of classroom concepts and principles with real world settings and challenges. Additionally, it provides an avenue to get both the instructor and the students more involved in the learning process while bringing others into the process for the good of the student and his or her learning. Finally, the GOTMO project as detailed and supported in this paper allows for subsequent additional uses in similar and related classroom settings. Importantly, the project allows flexibility in use and attains maximum use of resources in a short period of time to drive home and accent concepts from marketing and/or selling classes. This work examined project setup, use, implementation, and evaluation while at the same time providing implementation hints from experience and templates for individualized use and development. The presentation session accompanying this work will allow participants the opportunity to develop FABs for the GOTMOs to get a sense of not only the product, but also a sense of some of the processes involved in project design. GOTMOs are intriguing "products" from the world of business that can indeed be utilized in a university classroom setting, within an experiential project activity, to enhance both student learning and student involvement in their learning.

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# MEASURING THE EFFECTIVENESS OF CREATIVITY TRAINING: A PILOT STUDY

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## ABSTRACT

*This pilot study tests the effectiveness of creativity training. The results suggest that the creativity training was largely successful. The findings and their implications are discussed along with the limitations of the study and directions for future research in creativity training and education.*

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## INTRODUCTION

While creativity is valued by most people, the value of teaching creativity in organizations and educational institutions is highly contested. A great deal of confusion exists about creative thinking due to a misunderstanding about the creative thinking process and the way the mind works (de Bono 1992).

Edward de Bono is recognized by many as the world's leading authority on creativity. He coined the term "lateral thinking," which is now found in the *Oxford English Dictionary* (de Bono 1992). He also invented the word "po," as well as authored the CoRT Thinking Program and Six Thinking Hats thinking technique (de Bono 1985; 1992). De Bono has developed systematic creative thinking tools that can be taught, allowing people to think laterally and in parallel, thereby allowing them to extract more value from their thinking processes (de Bono 1970; 1985; 1992; 1993).

## THEORETICAL BACKGROUND

While marketing managers may see the obvious need for creativity in areas such as new product development or advertising, other uses for creative thinking are not well understood. In his book *Serious Creativity*, de Bono (1992) outlines the practical need for creativity in businesses. Although de Bono provides numerous examples of ways in which organizations have benefited from the systematic use of creative thinking, he suggests that the practical need for creativity falls mainly into two areas: 1) where there is a need for a new idea caused by a problem, crisis, etc.; and 2) where there is no need for new ideas but opportunity, advantage or benefit may result from a new idea (1992). De Bono points out that cost-cutting and quality programs may require doing new

things rather than doing the old things with more quality. Likewise, a "maintenance" attitude on the part of marketing managers falls short in that it emphasizes only the "fix-it" side of creativity. Finally, de Bono points out that future businesses will need to create "value monopolies" that are based on "integrated values" rather than isolated valued-added initiatives, and that "surpetition" (competing against yourself) will be the new game (1992).

Clearly, understanding the need for creativity is important, and there is a mandate to teach creative thinking skills to today's and tomorrow's marketers. This means teaching people to think using methods that go beyond traditional critical thinking skills taught in organizations and educational institutions. However, even if the benefits of creative thinking skills are obvious, without evidence that the creativity training skills can be taught, creativity training initiatives are unlikely to gain widespread acceptance.

To help remedy this problem, the author has begun exposing students to de Bono's creativity tools and begun testing the effects of the creativity training. This pilot study represents the initial steps taken by the author. The general hypothesis for this study is that students improve their use and understanding of de Bono's systematic tools of creative thinking as a result of being exposed to de Bono's *Serious Creativity* text and CD. The following pairs of hypotheses were set up to test the general hypothesis more specifically. For each pair, the first hypothesis is the research hypothesis and the second is a "control" hypothesis.

## Hypotheses

**Hypothesis 1a:** Time 2 (posttest) Total Scores for the experimental group differ from Time 1 (pretest) Total Scores.

**Hypothesis 1b:** Time 2 Total Scores for the control group do not differ from Time 1 scores.

**Hypothesis 2a:** There is a difference between Time 2 (posttest) Total Scores for the experimental group and Time 2 Total Scores for the control group.

**Hypothesis 2b:** There is no difference between Time 1 Total Scores for the experimental and control groups.

**Hypothesis 3a:** For each of the forty-eight items in the questionnaire, there is a difference between Time 1 (pretest) and Time 2 (posttest) responses for the experimental group.

**Hypothesis 3b:** For each of the forty-eight items in the questionnaire, there is no difference between Time 1 and Time 2 responses for the control group.

**Hypothesis 4a:** For each of the forty-eight items in the questionnaire, there is a difference between the Time 2 responses of the experimental group and the control group.

**Hypothesis 4b:** For each of the forty-eight items in the questionnaire, there is no difference between the Time 1 responses of the experimental group and the control group.

## METHOD

A questionnaire (see Appendix A) was developed by the author to measure the impact of the creativity training. The questionnaire was designed to test whether the use and understanding of de Bono's systematic tools of creative thinking can be improved by exposing students to de Bono's *Serious Creativity* text and CD. The questionnaire was administered as a Time 1 (pretest) and Time 2 (posttest) instrument to an experimental group as well as a control group. Subjects were undergraduate students at a college in the Midwest during January 1998.

## Sample

The experimental group consisted of fifteen students

enrolled in a 3.5 week business elective course. The students were administered the questionnaire as both a pretest (Time 1, prior to training) and posttest (Time 2, after training) instrument. The questionnaire was also administered to a control group, which consisted of students enrolled in a different 3.5 week business elective course. All of the fifteen pretest and posttest questionnaires were returned by the experimental group yielding a 100 percent response rate. Twenty-eight students in the control group completed a questionnaire at Time 1. Twenty-seven students in the control group completed a questionnaire at Time 2. Twenty-two complete pairs of the control group's Time 1 and Time 2 questionnaires were usable yielding a 79 percent response rate.

## Measures

The questionnaire contains 48 statements and uses self-reported measures in an attempt to measure a respondent's 1) understanding of creativity concepts (items 1-40), and 2) ability to apply lateral thinking tools (items 41-48). The creativity concepts and lateral thinking tools are those advocated by Edward de Bono, arguably the world's leading authority on creative thinking.

Subjects responded to each item using a four point Likert scale, which included a fifth "Don't Know" option. For the purposes of the analysis, all responses were collapsed from five to two categories: "correct" or "incorrect." A correct response for items 1-40 reflects that the respondent reports understanding the concept. A correct response for items 41-48 reflects that the respondent reports being comfortable applying the lateral thinking tool. "Don't Know" was considered an incorrect response for all statements.

For items 1,2,4,5,8,11, 12, 16, 18-33, 35, and 37-39, "Strongly Agree" and "Agree" were considered correct responses while "Disagree" and "Strongly Disagree" were included with "Don't Know" as incorrect. Items 3,6,7,9,10,13,14,15,17,34, and 36 were reverse scored, meaning that "Strongly Agree" and "Agree" were included with "Don't Know" as incorrect responses while "Disagree" and "Strongly Disagree" were scored as correct. Missing values were dropped from the analysis. Correct answers were coded as 1 and incorrect answers were coded as 2.

Another variable, "Total Score," was created for each respondent by summing the number of correct answers given by the respondent. Thus, the variable Total

Table 1A -- Results of Paired t Test (Time 1 versus Time 2) for Experimental Group on Variable Total Score

Mean Difference	SD	N	t
-20.733	7.497	15	-10.711***

\*\*\* p < .001

Table 1B -- Results of Paired t Test (Time 1 versus Time 2) for Control Group on Variable Total Score

Mean Difference	SD	N	t
-2.391	4.218	23	-2.719*

\* p < .05

Score is similar to an exam score that sums the total number of correct responses from 48 items. For the Total Score variable, missing values were not dropped but treated with a value of zero, much in the same way that an answer left blank on an exam would be scored as incorrect.

### Analytical Procedures

The experimental group read the book *Serious Creativity* outside of class and used the interactive CD during class. The students were also exposed to some in-class creativity exercises designed to apply the lateral thinking tools. The control group was not exposed to any creativity training material. A paired t test was used to test whether the Time 1 and Time 2 Total Score variable differed for the experimental group (Hypothesis 1a). A similar test was run for the control group (Hypothesis 1b). Independent sample t tests were used to test whether the Total Score variable differed between the experimental and control group at Time 2 (Hypothesis 2a) and at Time 1 (Hypothesis 2b). Paired t tests were used to test whether the Time 1 and Time 2 results differed on each of the forty-eight items for the experimental group (Hypothesis 3a) and for the control group (Hypothesis 3b). Independent sample t tests were used to test whether the Time 2 and Time 1 results differed between the experimental and control groups on each of the forty-eight items (Hypothesis 4a and Hypothesis 4b).

## RESULTS

Table 1A shows the results for the tests of Hypothesis 1a. The mean difference of -20.733, (t = -

10.711, p < .001) provides strong support for the hypothesis that the experimental group's Total Scores were much better after the training than before the training. The results in Table 1B do not support Hypothesis 1b, however, since they suggest that there was also a statistically significant difference (p < .05) between the Time 2 and Time 1 scores for the control group.

Table 2A provides strong support for Hypothesis 2a. The posttest (Time 2) Total Scores for the experimental group were significantly different (t = -10.852, p < .001) from those of the control group. As expected, there was no evidence (t = -1.243, p > .05) that the Time 1 Total Scores differed for the experimental group and the control group, lending support for Hypothesis 2b (see Table 2B).

Table 3A provides the results of the paired t tests for the experimental group on each of the forty-eight items. The results are mixed. The results indicate that there is a difference between pretest and posttest responses for the experimental group on items 4, 5, 7, 10, 11, 12, 16, 18, 20, 21, 22, 23, 25, 27, 28, 30, 31, 32, 34, 35, 36, 37, 44, 45, 46, 47, and 48. For items 41, 42, and 43, no t test was possible since the mean difference was exactly 0 for item 41 and exactly 1 for items 42 and 43 with no variance (s.d. = 0). For items 1, 2, 3, 6, 8, 9, 13, 14, 15, 17, 19, 24, 26, 29, 33, 38, 39, and 40 there was no support to conclude that there is any difference between pretest and posttest responses for the experimental group (p < .05). Thus, there is partial support for Hypothesis 3a.

Table 3B provides the results of the paired t tests for each of the forty-eight items for the control group. The

Table 2A -- Results of Independent Samples t Test at Time 2 for  
Experimental versus Control Group on Variable Total Score

Experimental Group				Control Group			t
Mean	SD	N	Mean	SD	N		
41.133	3.502	15	20.217	8.163	23	10.852***	

\*\*\* p < .001

Table 2B -- Results of Independent Samples t Test at Time 1 for  
Experimental versus Control Group on Variable Total Score

Experimental Group				Control Group			t
Mean	SD	N	Mean	SD	N		
20.400	5.654	15	17.826	7.043	23	1.243 n.s.	

n.s. = not significant

results generally support the hypothesis that there was is no difference between Time 1 and Time 2 responses for the control group. Only seven items (items 2, 12, 25, 31, 32, 35, and 42) indicate a difference between Time 1 and Time 2 responses for the control group ( $p < .05$ ). Thus, forty-one items (85 percent) support the notion that pretest and posttest response differences for the experimental group were not random but due to the training, since there is no difference between Time 1 and Time 2 responses for the control group ( $p < .05$ ).

Table 4A provides the results of the independent samples t tests for each of the forty-eight items for the experimental and control groups at Time 2. The results are mixed. For items 6, 7, 10, 14, 15, 16, 17, 18, 21, 23, 26, 27, 28, 30, 32, 33, 34, 45, 46, and 47, the results indicate that there is a difference between the experimental and control group responses at Time 2. For items 1, 2, 4, 8, 11, 12, 13, 20, 22, 25, 31, 35, 36, 41, 42, 43, and 44, no t test was possible since the mean response for the experimental group was exactly 1 with no variance ( $s.d. = 0$ ). Items 3, 5, 9, 19, 24, 38, 39, and 48 yielded no support to conclude that there is any difference between the experimental and control groups at Time 2 ( $p < .05$ ). Thus, there is partial support for Hypothesis 4a.

Table 4B provides the results of the independent

samples t tests for each of the forty-eight items for the control group. The results generally support the hypothesis that there was is no difference between the experimental and control groups at Time 1. Only six items (items 5, 7, 20, 22, 23, and 46) indicate a difference between Time 1 responses for the two groups ( $p < .05$ ). For items 31, 42, 43, and 45, no t test was possible since the mean response for the experimental group was exactly 2.000 with no variance ( $s.d. = 0$ ). For items 40 and 41, no t test was possible since the mean response for the experimental group was exactly 1.000 with no variance ( $s.d. = 0$ ). Thus, thirty-six items (75 percent) support the notion that the results tested in Hypothesis 4a (differences in the Time 2 responses for the experimental and control groups) were not random but due to the training, since there is no difference between Time 1 responses for the two groups on these items ( $p > .05$ ).

## DISCUSSION AND IMPLICATIONS

The results of the pilot study lend support to the general hypothesis that creative thinking skills can be taught. At first glance, the results for Hypothesis 1a and 1b are disturbing, since the Time 2 Total Scores for both the experimental and control groups improved and were statistically significant. On closer inspection, however, the results clearly support the creativity training. By

Table 3A -- Results of Paired t Test (Time 1 versus Time 2) for Experimental Group on Each Item

Item	Mean Difference	SD	N	t
1	0.067	0.258	15	1.000
2	0.200	0.414	15	1.871
3	0.333	0.617	15	2.092
4	0.267	0.458	15	2.256 *
5	0.600	0.632	15	3.674 **
6	0.214	0.699	14	1.147
7	0.267	0.458	15	2.256 *
8	0.200	0.414	15	1.871
9	0.133	0.516	15	1.000
10	0.667	0.488	15	5.292 ***
11	0.267	0.458	15	2.256 *
12	0.333	0.488	15	2.646 *
13	0.133	0.352	15	1.468
14	0.400	0.737	15	2.103
15	0.200	0.561	15	1.382
16	0.800	0.414	15	7.483 ***
17	0.067	0.594	15	0.435
18	0.467	0.516	15	3.500 **
19	0.200	0.414	15	1.871
20	0.429	0.514	14	3.122 **
21	0.533	0.516	15	4.000 **
22	0.400	0.507	15	3.055 **
23	0.267	0.458	15	2.256 *
24	0.200	0.775	15	1.000
25	0.667	0.488	15	5.292 ***
26	0.333	0.617	15	2.092
27	0.467	0.743	15	2.432 *
28	0.400	0.632	15	2.449 *
29	0.267	0.704	15	1.468
30	0.400	0.507	15	3.055 **
31	0.933	0.258	15	14.000 ***
32	0.786	0.426	14	6.904 ***
33	0.333	0.724	15	1.784
34	0.533	0.516	15	4.000 **
35	0.600	0.507	15	4.583 ***
36	0.733	0.458	15	6.205 ***
37	0.333	0.488	15	2.646 *
38	0.267	0.594	15	1.740
39	0.200	0.775	15	1.000
40	-0.067	0.258	15	-1.000
41	0.000	0.000	15	#
42	1.000	0.000	15	#
43	1.000	0.000	15	#
44	0.933	0.258	15	14.000 ***
45	0.933	0.258	15	14.000 ***
46	0.600	0.632	15	3.674 **
47	0.800	0.561	15	5.527 ***
48	0.600	0.632	15	3.674 **

\* p < .05      \*\* p < .01      \*\*\* p < .001      # = insufficient data for test

Table 3B -- Results of Paired t Test (Time 1 versus Time 2) for Control Group on Each Item

Item	Mean Difference	SD	N	t
1	0.087	0.288	23	1.447
2	0.174	0.388	23	2.152 *
3	0.087	0.417	23	1.000
4	0.091	0.426	22	1.000
5	-0.091	0.526	22	-0.810
6	-0.130	0.584	23	-1.141
7	0.174	0.650	23	1.283
8	0.045	0.375	22	0.568
9	0.043	0.209	23	1.000
10	0.043	0.367	23	0.569
11	0.087	0.515	23	0.810
12	0.409	0.666	22	2.881 **
13	-0.174	0.576	23	-1.447
14	-0.130	0.458	23	-1.367
15	0.045	0.375	22	0.568
16	-0.043	0.562	23	-0.371
17	-0.130	0.458	23	-1.367
18	0.000	0.426	23	0.000
19	0.043	0.562	23	0.371
20	0.174	0.491	23	1.699
21	0.130	0.458	23	1.367
22	-0.000	0.522	23	-0.000
23	0.087	0.515	23	0.810
24	-0.000	0.756	22	-0.000
25	-0.227	0.429	22	-2.485 *
26	0.043	0.638	23	0.327
27	0.217	0.518	23	2.211
28	0.000	0.690	22	0.000
29	-0.000	0.522	23	-0.000
30	-0.000	0.603	23	-0.000
31	0.391	0.499	22	3.761 **
32	0.217	0.422	23	2.472 *
33	-0.087	0.515	23	-0.810
34	-0.043	0.367	23	-0.569
35	0.273	0.456	22	2.806 *
36	-0.043	0.475	23	-0.439
37	-0.130	0.458	23	-1.367
38	-0.087	0.596	23	-0.699
39	0.136	0.710	22	0.901
40	-0.000	0.426	23	-0.000
41	-0.043	0.475	23	-0.439
42	0.261	0.541	23	2.313 *
43	0.227	0.528	22	2.017
44	0.130	0.458	23	1.367
45	0.136	0.468	22	1.368
46	0.000	0.436	22	0.000
47	0.091	0.294	22	1.449
48	0.182	0.501	22	1.702

\* p < .05

\*\* p < .01

# = insufficient data for test



looking for substantive or meaningful significance rather than statistical significance, the mean difference of -20.733 for the experimental group is much more convincing in terms of the average improvement made in the Total Score than the mean difference of -2.391 for the control group.

Hypothesis 2a provides even stronger support for the effectiveness of the training. The mean Time 2 score of 41.133 (out of a possible 48) for the experimental group is impressive by itself, but is even more impressive when compared to the mean score of 20.217 for the control group. Clearly, those exposed to the training outperformed the control group. The test of Hypothesis 2b strengthens this conclusion, since no significant difference existed between the mean scores for the two groups at Time 1.

Several interesting observations emerge from the test of Hypothesis 3a. Twenty-seven of the forty-eight items (56 percent) were statistically significant, supporting the hypothesis that the creativity training improved performance. Upon closer inspection, it is clear that two of the three items (42 and 43) that were untestable due to the absence of variance also support the hypothesis that the creativity training improved performance, since the scores indicate that all fifteen subjects gave incorrect responses prior to training and correct answers after training. Thus, twenty-nine of the forty-eight items (60 percent) actually support the hypothesis that the creativity training improved performance on the questionnaire. It is also important to note that the subjects did well on most of the behavioral items (41-48). This suggests that they feel much more confident about using the lateral thinking tools after the training.

Nineteen of the forty-eight items (40 percent) showed no support for any improvement due to the creativity training. Identifying these nineteen items could be quite useful, however. These items may indicate the areas where more attention needs to be directed in future training. It may be that the training in general was successful, but that the training in the areas represented by these items was lacking.

Hypothesis 3b is generally supported, since only seven of the forty-eight items (15 percent) provided statistically significant differences between Time 1 and Time 2 for the control group.

Hypothesis 4a was well supported. At Time 2, the experimental group outperformed the control group on twenty items. Furthermore, the experimental group answered seventeen other items correctly with one

hundred percent accuracy. Combining these two groups, thirty-seven items (77 percent) support the notion that the experimental group benefited from the training. Of the behavioral items, items 46 and 48 were the weakest. The author suspects this is due to the fact that: 1) they represent tools that are more difficult to master, and 2) less class time was spent on these items, which fall closer to the end of the lateral thinking process. Clearly, adequate time needs to be allotted to these items in future training.

Hypothesis 4b is generally supported, since only six of the forty-eight items (13 percent) provided statistically significant differences between the experimental and control group at Time 1. Item 31 is intriguing, since one hundred percent of the control group answered it incorrectly. Even more interesting are behavioral items 42, 43, and 45, which were answered incorrectly by one hundred percent of the experimental group and item 46, which was statistically significant. This pattern suggests that the experimental group decided not to guess or lie about their behaviors, perhaps because they felt they would be tested or challenged on these areas later in the course. It appears that the experimental group chose to indicate they did not understand or feel comfortable applying the tools prior to training.

In a study involving the impact that twenty-nine different attributes, skills, and knowledge areas would have on hiring a candidate for an entry-level marketing job, creativity was ranked fifteenth by key marketing personnel (Borin and Watkins 1998). In the same study, 118 students ranked creativity twelfth out of the twenty-nine skills. Advocates of creative thinking would judge this "middle level" ranking as low. The implication is that there is clearly a need to educate both organizational personnel and college students further regarding the value of creativity, as well as train them in the lateral thinking tools.

#### **LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH**

One limitation of this pilot study is the reliance on self-reported measures. The questionnaire uses self-reported measures in an attempt to measure a respondent's 1) understanding of creativity concepts, and 2) ability to apply lateral thinking creativity tools. An alternative measurement system might be developed allowing one to measure the number and quality of creative ideas generated by students exposed to the training. The results could then be compared to those of a control group. This type of measurement has been used to test the effectiveness of the Six Thinking Hats method

Table 4A -- Results of Independent Samples t Test at Time 2 for Exp. vs. Control Group on Each Item

Item	Experimental Group			Control Group			t
	Mean	SD	N	Mean	SD	N	
1	1.000	0.000	15	1.087	0.288	23	#
2	1.000	0.000	15	1.130	0.344	23	#
3	1.600	0.507	15	1.826	0.388	23	-1.469
4	1.000	0.000	15	1.318	0.477	22	#
5	1.200	0.414	15	1.500	0.512	22	-1.964
6	1.286	0.469	14	1.783	0.422	23	-3.246 **
7	1.067	0.258	15	1.522	0.511	23	-3.622 **
8	1.000	0.000	15	1.091	0.294	22	#
9	1.800	0.414	15	1.913	0.288	23	-0.922
10	1.133	0.352	15	1.870	0.344	23	-6.358 ***
11	1.000	0.000	15	1.348	0.487	23	#
12	1.000	0.000	15	1.261	0.449	23	#
13	1.000	0.000	15	1.522	0.511	23	#
14	1.133	0.352	15	1.870	0.344	23	-6.358 ***
15	1.600	0.507	15	1.909	0.294	22	-2.129 *
16	1.067	0.258	15	1.826	0.388	23	-7.249 ***
17	1.133	0.352	15	1.609	0.499	23	-3.441 **
18	1.333	0.488	15	1.696	0.470	23	-2.269 *
19	1.133	0.352	15	1.348	0.487	23	-1.574
20	1.000	0.000	15	1.696	0.470	23	#
21	1.133	0.352	15	1.783	0.422	23	-5.135 ***
22	1.000	0.000	15	1.739	0.449	23	#
23	1.133	0.352	15	1.696	0.470	23	-4.206 ***
24	1.267	0.458	15	1.545	0.510	22	-1.737
25	1.000	0.000	15	1.864	0.351	22	#
26	1.067	0.258	15	1.478	0.511	23	-3.276 **
27	1.200	0.414	15	1.609	0.499	23	-2.740 *
28	1.067	0.258	15	1.455	0.510	22	-3.043 **
29	1.267	0.458	15	1.348	0.487	23	-0.521
30	1.067	0.258	15	1.348	0.487	23	-2.315 *
31	1.000	0.000	15	1.609	0.499	23	#
32	1.067	0.258	15	1.652	0.487	23	-4.820 ***
33	1.333	0.488	15	1.696	0.470	23	-2.269 *
34	1.333	0.488	15	1.957	0.209	23	-4.676 ***
35	1.000	0.000	15	1.591	0.503	22	#
36	1.000	0.000	15	1.783	0.422	23	#
37	1.133	0.352	15	1.696	0.470	23	-4.206 ***
38	1.133	0.352	15	1.304	0.470	23	-1.279
39	1.400	0.507	15	1.455	0.510	22	-0.321
40	1.067	0.258	15	1.174	0.388	23	-1.014
41	1.000	0.000	15	1.130	0.344	23	#
42	1.000	0.000	15	1.609	0.499	23	#
43	1.000	0.000	15	1.682	0.477	22	#
44	1.000	0.000	15	1.783	0.422	23	#
45	1.067	0.258	15	1.773	0.429	22	-6.239 ***
46	1.333	0.488	15	1.682	0.477	22	-2.153 *
47	1.067	0.258	15	1.545	0.510	22	-3.756 **
48	1.200	0.414	15	1.409	0.503	22	-31.381

\* p < .05

\*\* p < .01

\*\*\* p < .001

# = insufficient data for test

Table 4B -- Results of Independent Samples t Test at Time 1 for Exp. vs. Control Group on Each Item

Item	Experimental Group			Control Group			t
	Mean	SD	N	Mean	SD	N	
1	1.067	0.258	15	1.174	0.388	23	-1.024
2	1.200	0.414	15	1.304	0.470	23	-0.719
3	1.933	0.258	15	1.913	0.288	23	0.226
4	1.267	0.458	15	1.391	0.499	23	-0.792
5	1.800	0.414	15	1.435	0.507	23	2.429 *
6	1.533	0.516	15	1.652	0.487	23	-0.709
7	1.333	0.488	15	1.696	0.470	23	-2.269 *
8	1.200	0.414	15	1.130	0.344	23	0.540
9	1.933	0.258	15	1.957	0.029	23	-0.291
10	1.800	0.414	15	1.913	0.288	23	-0.922
11	1.267	0.458	15	1.435	0.507	23	-1.060
12	1.333	0.488	15	1.636	0.492	22	-1.848
13	1.133	0.352	15	1.348	0.487	23	-1.574
14	1.533	0.516	15	1.739	0.449	23	-1.263
15	1.800	0.414	15	1.957	0.209	23	-1.356
16	1.867	0.352	15	1.783	0.422	23	0.665
17	1.200	0.414	15	1.478	0.511	23	-1.844
18	1.800	0.414	15	1.696	0.470	23	0.719
19	1.333	0.488	15	1.391	0.499	23	-0.355
20	1.429	0.514	14	1.870	0.344	23	-2.847 *
21	1.667	0.488	15	1.913	0.288	23	-1.765
22	1.400	0.507	15	1.739	0.449	23	-2.107 *
23	1.400	0.507	15	1.783	0.422	23	-2.426 *
24	1.467	0.516	15	1.522	0.511	23	-0.323
25	1.667	0.488	15	1.652	0.487	23	0.090
26	1.400	0.507	15	1.522	0.511	23	-0.721
27	1.667	0.488	15	1.826	0.388	23	-1.065
28	1.467	0.516	15	1.478	0.511	23	-0.068
29	1.533	0.516	15	1.348	0.487	23	1.107
30	1.467	0.516	15	1.348	0.487	23	0.709
31	1.933	0.258	15	2.000	0.000	23	#
32	1.857	0.363	14	1.870	0.344	23	-0.103
33	1.667	0.488	15	1.609	0.499	23	0.355
34	1.867	0.352	15	1.913	0.288	23	-0.426
35	1.600	0.507	15	1.870	0.344	23	-1.805
36	1.733	0.458	15	1.739	0.449	23	-0.038
37	1.467	0.516	15	1.565	0.507	23	-0.579
38	1.400	0.507	15	1.217	0.422	23	1.158
39	1.600	0.507	15	1.565	0.507	23	0.207
40	1.000	0.000	15	1.174	0.388	23	#
41	1.000	0.000	15	1.087	0.288	23	#
42	2.000	0.000	15	1.870	0.344	23	#
43	2.000	0.000	15	1.913	0.288	23	#
44	1.933	0.258	15	1.913	0.288	23	0.226
45	2.000	0.000	15	1.913	0.288	23	#
46	1.933	0.258	15	1.652	0.487	23	2.315 *
47	1.867	0.352	15	1.652	0.487	23	1.574
48	1.800	0.414	15	1.609	0.499	23	1.282

\* p < .05      # = insufficient data for test  
 (Culver and Else 1995).

The number of items tested was large, leaving the chance that some statistically significant results may have occurred by chance alone. The "control" hypotheses were used in an attempt to offset this factor, since they also included the same number of items and should be subject to the same bias. The relatively small number of statistically significant results found in the control hypotheses suggests that those found in the research hypotheses are not likely to be the result of random error.

Since the students exposed to the Serious Creativity CD also read the book *Serious Creativity* and were exposed to in-class exercises, it is impossible with this study's research design to account for the variance due to the book, the CD, the in-class exercises, or the interaction of their use together as learning tools.

The students were not assigned randomly to the experimental and control groups. Differences may exist between the students enrolled in the two business elective courses. This convenience sample means the results need to be interpreted with extreme caution. There was value in conducting the pilot study, however, since changes can be made to the instrument and analysis strategy before the larger study is conducted.

## CONCLUSION

This pilot study represents an important step in measuring the effects of de Bono's creativity training tools and provides evidence that creative thinking tools can be taught. Future studies are now possible that can build on what has been learned from this pilot study as well as address some of its limitations.

The benefits of creative thinking to marketing managers are not limited to areas such as new product development or advertising. Creativity experts believe formal creative thinking techniques will be the key to creating organizations with sustainable competitive advantage in the 21st century, since the lateral thinking tools are useful in all areas of the organization. They allow the organization to utilize more fully the thinking resources of the organization's human resources. Organizations and institutions of higher education will need to shift the training emphasis from critical thinking and problem solving skills to a thinking process that is supplemented by deliberate creative thinking skills.

### Appendix A -- Creativity Questionnaire Creativity Questionnaire ©Timothy P. Schweizer, 1998

Please Fill in your PRNO \_\_\_\_\_

Current Date: \_\_\_\_\_

This questionnaire contains statements related to the subject of creativity. Please indicate your personal response to each statement using the scale listed below. Be as honest in your responses as possible. Your responses should reflect your own current thoughts, attitudes, and beliefs about creativity. (Do not worry about trying to select the "correct answer.") Your responses will remain anonymous. Any results from the questionnaire will be reported in aggregate form. Circle the appropriate letter for each statement.

Strongly Disagree	=	SD
Disagree	=	D
Agree	=	A
Strongly Agree	=	SA
Don't Know	=	DK

- |  |    |   |   |    |    |
|--|----|---|---|----|----|
| 1. Creativity is a skill that can be improved through practice.  | SD | D | A | SA | DK |
| 2. Creativity is closely linked to human perception.   | SD | D | A | SA | DK |
| 3. Creativity is improved by improving critical thinking skills (problem solving, analysis, judgment). | SD | D | A | SA | DK |
| 4. Provocations are useful in generating creative thinking.  | SD | D | A | SA | DK |

5.	Valuable creative ideas must be logical in hindsight.	SD	D	A	SA	DK
6.	Using logic is one of the best ways to generate creative thinking.	SD	D	A	SA	DK
7.	Creativity is mostly talent.	SD	D	A	SA	DK
8.	Creativity involves the ability to change concepts and perceptions.	SD	D	A	SA	DK
9.	Liberating the brain from inhibitions will result in significant improvements in creative thinking.	SD	D	A	SA	DK
10.	Brainstorming is a high level form of creative thinking.	SD	D	A	SA	DK
11.	Humor and creativity are closely related.	SD	D	A	SA	DK
12.	Creativity can be taught and learned.	SD	D	A	SA	DK
13.	Artists are the best people to teach creativity.	SD	D	A	SA	DK
14.	Creative people are usually the best teachers of creativity.	SD	D	A	SA	DK
15.	Creativity amounts to removing inhibitions and freeing up people so their creative juices flow naturally.	SD	D	A	SA	DK
16.	The brain is not designed to be naturally creative.	SD	D	A	SA	DK
17.	Creative thinking is based on creating an atmosphere of "craziness."	SD	D	A	SA	DK
18.	Brainstorming is a scatter gun approach to creativity and is generally not an effective way to generate creativity.	SD	D	A	SA	DK
19.	Groups are not necessary for deliberate creative thinking.	SD	D	A	SA	DK
20.	Lateral thinking is based in cutting across patterns in a self-organizing information system.	SD	D	A	SA	DK
21.	Lateral thinking is a set of systematic techniques used for changing concepts and perceptions and generating new ones.	SD	D	A	SA	DK
22.	Lateral thinking is exploring multiple possibilities and approaches instead of pursuing a single approach.	SD	D	A	SA	DK
23.	Lateral thinking is concerned with changing concepts and perceptions.	SD	D	A	SA	DK
24.	The absence of creative thinking is more likely due to the absence of design than the absence of analysis.	SD	D	A	SA	DK
25.	The more one invests in the Six Thinking Hats method as a "game," the more powerful the method becomes.	SD	D	A	SA	DK
26.	A hypothesis tries to be reasonable. A provocation tries to be unreasonable.	SD	D	A	SA	DK
27.	Without movement, there is no sense in using provocation.	SD	D	A	SA	DK
28.	Judgment and movement are two completely different "games."	SD	D	A	SA	DK
29.	The sole purpose of movement is to move forward to a new idea or concept.	SD	D	A	SA	DK
30.	Moment-to-moment movement is like watching a videotape frame by frame to watch what is going on.	SD	D	A	SA	DK
31.	The word "po" is used to signal that a statement is a provocation.	SD	D	A	SA	DK
32.	Two basic methods of setting up provocations are the escape method and the stepping-stone method.	SD	D	A	SA	DK
33.	Reversal, exaggeration, distortion, and wishful thinking are four stepping-stone provocation methods	SD	D	A	SA	DK
34.	The random input technique is the most complex of all the creative thinking techniques.	SD	D	A	SA	DK

35.	For most people, harvesting is one of the weakest parts of creative thinking.	SD	D	A	SA	DK
36.	The phrase "the same as" is a powerful creative thinking technique.	SD	D	A	SA	DK
37.	When seeking new ideas, never permit the phrase "the same as."	SD	D	A	SA	DK
38.	If two ideas seem similar, it is best to focus on the difference between them.	SD	D	A	SA	DK
39.	The treatment of ideas is concerned with ideas that are not yet ready to proceed to evaluation.	SD	D	A	SA	DK
40.	I am a creative person.	SD	D	A	SA	DK
41.	I am good at generating alternative solutions to problems.	SD	D	A	SA	DK
42.	I understand how to set up a provocation.	SD	D	A	SA	DK
43.	I understand how to use a provocation.	SD	D	A	SA	DK
44.	I understand how to use the Six Thinking Hats.	SD	D	A	SA	DK
45.	I feel comfortable using the Six Thinking Hats as a tool in meetings.	SD	D	A	SA	DK
46.	I understand how to harvest the output of a creative thinking session by using a harvesting checklist.	SD	D	A	SA	DK
47.	I understand how to use the random input technique as a systematic way to be creative.	SD	D	A	SA	DK
48.	I understand how to use the basic techniques for the treatment of ideas.	SD	D	A	SA	DK

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# Marketing Tactics of Antique Dealers: Implications for Business Practices of Entrepreneurs

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## ABSTRACT

*Antique shop owners and antique mall owners have the same target market but have different objectives. They use different marketing tactics which are used to create a differential advantage for customers and competitive advantages for the organization.*

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## INTRODUCTION

Antique shops and antique malls are the quintessential micro-businesses. Both malls and shops are perceived by the general public as similar as both sell antiques. Never-the-less, there is support for the position that each has a fundamentally different purpose though the target market is similar (Gubernick 1994, Chandler and Patton 1998, Carnoy 1998). The literature supports the idea that antique shops, usually owned by one or two people, have as their genesis, the love of and collection of antiques. Selling antiques and the development of an antique shop becomes a necessary activity to fund future acquisitions.

Antique malls, on the other hand, are instituted as business propositions whose purpose is to engage in the antique business because it is perceived to be a profitable opportunity. Antique malls also differ from antique shops as they feature a number of dealers who rent space and/or consign their inventory to the mall owner who is primarily responsible for providing the display floor, promoting the existence of the mall and collecting the money from sales and disbursing it to the dealers in accordance with the agreements that have been reached.

Though each has a different purpose, both shops and malls must realize that purpose through the same venue, namely, selling of antiques which provides the cash flow each seeks. Consequently, one might suppose that the perceptions of the importance of the marketing tactics each employs to make sales would be similar. After all, the target market is the same. If the perceptions of the importance of the various tactics are different, that is cause for concern as it reveals a gap in the education of the micro-business entrepreneur, who, though in business

for something besides profit, still needs to realize a profit or positive cash flow if they are to achieve their primary objective(s), whatever it may be. To that end, this study was undertaken.

## ANTIQUÉ BUSINESS

The literature pertaining to the world of antiquing continues to grow. All one has to do is access a database such as ABI/Inform or explore the Internet to see that interest in the world of antiques continues unabated. One can find specialized articles on topics such as Williams (1993) on collecting art, Sanson's (1993) treatise on collecting for restaurant displays and Brown's (1993a) discussion about collecting of jigsaw puzzles. Generalized discussion of buying and selling antiques such as Johnson and Borland (1986), Pitzer and Cline (1986), Brown (1993b) and Bingham and Bingham (1994) also abound.

Unfortunately, even such excellent sources as Johnson and Borland (1993) which go beyond identifying and buying of antiques, do not have an empirical basis. Rather, the basis for their recommendations is a series of antidotes. Moreover, the focus seems to be the single-dealer shop who, was mentioned earlier, is likely not to have the business orientation necessary to have a reasonable expectation of making a profit. This gap, namely the lack of an empirical basis for making suggestions, is the impetus for this study.

This study identifies the marketing tactics that the literature discusses and assesses whether the perceptions of the importance of these tactics is differentiated by the nature of the business, namely the single-dealer shop with

the focus on love of antiques and the mall-owners whose primary motivation is the profit that results from attractive exchanges.

## METHODOLOGY

Based on a review of the literature both the small business literature in general and the literature that has developed on the antique industry, a research instrument was prepared that asked the importance of marketing tactics to the success of the micro-businesses. Responses to these questions were scaled using a 5-point Likert scale.

The research instrument, along with a cover letter requesting their participation, was sent to a random sample of 500 antique dealers located in a Midwestern state. The collection of marketing tactics were analyzed via MANOVA to see whether the classificatory variable of single-dealer store versus mall owner served to differentiate the overall responses.

MANOVA considers the entire complex of elements that comprise a particular marketing activity, in this instance, the tactics that antique dealers employ. As such MANOVA is conceptually superior to the approach of testing each individual tactic and then making inferences on whether the overall belief of one group with respect to the use of marketing tactics is different from the other group. As only two groups were involved, Hotelling's T was used to determine whether the two groups had significantly different perceptions regarding the importance of the marketing tactics that had been uncovered as a result of a search of the literature.

As a significant difference in the perceptions of the two groups regarding the overall importance of the various tactics was found, a one-way ANOVA was done to determine which of the individual tactics contributed to that difference. Follow-up interviews were done with a number of respondents, both mall owners and the owners of antique shops in an attempt to elicit the reasons for the responses.

## FINDINGS AND DISCUSSION

One hundred forty research instruments were returned for a response rate of 28 percent. Of those that were returned, 132 were complete and contained usable data. The statistical analysis is based on 132 respondents. Fifteen follow-up interviews were conducted with each type of owner, namely, mall and antique shops. The results of the interviews elicited

reasons for the positions that each group took with respect to the marketing tactics being analyzed.

Table One presents the findings on the perceptions of mall owners and the pertaining to the importance of the various marketing tactics. On a relative basis, both groups thought that changing prices was not easy and both groups placed a good deal of emphasis on the importance of all items having price tags. Mall owners, for reasons to be discussed shortly, placed the most importance on this tactic. Antique shop owners, on the other hand, placed the most importance on making sure that reproductions and originals were clearly identified. Furthermore, both groups did not think it desirable to sell reproductions and originals. That is undoubtedly because of the potential confusion on the part of customers and the possible ill will that might result if a customer bought an item thinking it was an original when it was not and was subsequently found not to be an original. Finally, antique shop owners did not place much value on the importance of having an assortment that was similar to their competitors. The reasons for this position were revealed in the interviews which were conducted.

As the findings in Table One show, antique mall owners and the owners of antique shops exhibited significantly different overall perceptions of the marketing tactics that were the subject of this investigation. Significant differences existed in the importance of costs, the use of price tags for items and having an assortment that was similar to competitors. The reasons for the differences, which were revealed in the interviews which took place, may well lie in the philosophies that guide the activities of the two types of entities.

Both antique mall owners and antique shops owners believed that making tactical price decisions was difficult. The difficulty of tactical pricing decisions exists notwithstanding the existence of collectors' guides that have suggested prices. This is undoubtedly because guides are just that, a guide to setting the price. The final price is often the result of a negotiation between the buyer and the seller.

Since changing a price is a tactical decision, it is likely undertaken in response to an offer of a lower price for the item. Note, however, that the owners of antique shops were significantly more influenced by the cost of the items in determining the final price than were owners of antique malls.

The interviews of the respondents which took place subsequent to the collection of the empirical data



Table 1  
Attitudes Toward Marketing Tactics  
By Type of Ownership

	Owners of Antique Malls		Owners of Antique Shops	
	Mean	S.D.	Mean	S.D.
Changing prices is necessary	2.43	1.25	2.60	1.26
Cost is most important element in final price *	2.93	1.26	3.36	1.14
All items should have price tags	4.75	0.51	4.64	0.53
Price tags should identify items *	4.57	0.63	4.18	0.82
Having an assortment similar to competitors *	3.00	1.04	2.65	1.02
Reproductions & originals should be clearly identified	4.64	0.62	4.72	0.55
All right to sell both reproductions & originals	2.93	1.43	2.46	1.41

N= 56 for mall owners. 85 for single store owner. 5= important, 1 = unimportant. S.D. = standard deviation.  
Hotellings Multivariate F = 5.4614, Hypothesized D.F. = 7, Error = 133, Probability < .0001. \* = Elements that were significantly different at the .05 level.

revealed that mall owners were primarily motivated by turnover when they negotiated price. They, in essence, worked on a commission and earned most of their revenue as a consequence of the sales that were made. The only other source of revenue came from rentals that were charged for the space. Of course, mall owners indicated that they were sometimes handicapped in the use of price as a tactic by the dictates of the agreements they had made with the dealers. For example, dealers were asked to specify the range of discounts that they were willing to accept. If the dealer would not specify a range, the mall owner was not able to use price as a tactical element.

On the other hand, the owners of antique shops were not restricted by the wishes of others as they owned their inventory. Yet, interviews with the antique shop owners supported the findings that cost was the essential element in their pricing decisions. The interviews revealed that the antique shop owners felt they must recapture the cost they had "invested" in a particular. The antique shop owners did not understand and thus appreciate the concept of sunk costs. Consequently, they made their decisions on primarily on the basis of the cost

of the item. Hence, even though, conceptually, they had more freedom to negotiate the price, having no one to account to, they were restricted by their inadequate understanding of the concept of sunk costs and the importance of cash flows

Antique mall owners and antique shop owners also had significant differences in the perception of the importance of having the price tag identify the items. Interviews revealed two causes for this difference. First, the mall owners had to account to the dealers whom they represented. Thus, a good product identification system was necessary to assure that each dealer received credit for the sales from their inventory. The requirement of making sure that the sale was credited to the correct account, of course, was not important to owners of antique shops as they owned their inventory.

Mall owners, however, offered an additional reason for ensuring that all items had price tags. Mall owners wanted to prevent "tag switching" from occurring. Whether the tag switching was inadvertent or intentional, the results were the same, an incorrect price was charged and since mall owners represented numerous dealers, an

incorrect tag might mean that a dealer would not get credit for the sale. Moreover, since the tags provided information about the item including cost codes, not having the correct tag made price negotiations more difficult.

As the findings reported in Table One reveals, though antique shop owners though having tags was important, they thought it significantly less important than did the owners of the malls. The interviews with the antique shop owners revealed that they were, naturally, less concerned about the necessity for control, than were antique owners. The fact that they did not have to account for the specific sale was not an important factor and may have been the primary reason for the difference in the perception of the importance of this item.

Finally, significant differences in the importance of using the assortment as a point of differentiation was uncovered by the statistical analysis. In this instance, shop owners thought it significantly less important to have an assortment that was similar to their competitors. The nature of the "business" philosophies of the two types of organizations, which was uncovered as a result of the interviews that took place, appears to account for this difference.

Interviews with the antique shop owners revealed that their stores were an outgrowth of their love for antiques and represented a way to generate cash so that they could buy new antiques. As a result, their inventory was developed as a result of their taste in and subsequent expertise in a particular type of antique. Consequently, it was possible, and from visiting the various stores, plausible, that their inventory was dissimilar to others as their tastes and interests were dissimilar. In their situation, they bought because of their interest in an item not because of some future customer's interest.

Mall owners, on the other hand, were interested in developing assortments that were appealing to a wide range of customers. Thus, because they appealed to the broader market, they invited dealers who would bring assortments that complimented each other by filling in the gaps. Consequently, the mall owners used the unique interests of the dealers to build an assortment that was broad ranging and thus, unintentionally perhaps, developed assortments that were similar to their competitors.

The mall owners stated that their differentiation was that they offered a broader range of items, and compared with the individual antique stores, that was true.

However, they neglected to consider another group of competitors, namely, organizations just like themselves. Consequently, and paradoxically, they thought it more important to have collections that were similar to their competitors so that they could offer something for everyone.

## CONCLUSIONS

Antique mall owners and owners of antique shops have different philosophies of business and these philosophies cause them to employ different tactics. Specially, more emphasis is placed on cost in price negotiation by antique shop owners while mall owners think it more important to have price tags to identify items and have an assortment that is similar to competitors.

Part of the reason for having a price tag is attributed to the need for control on the part of the mall owners, i.e., they need to assure that the individual dealer gets credit for the sale. Never-the-less detailed price tags offer control over the inventory, whether the store be mall or single owner. Both need to control inventory. The implication is that both mall owners and owners of antique shops need to have an idea of the range of prices over which one can negotiate and both need to understand that cost is but one aspect of the price. Similarly, both groups need to understand the desirability of using inventory to create a differential advantage in the perceptions of the prospective target market. The antique shop owners, unintentionally, create a differentiated inventory because of their special interests. Yet, they have not considered the desires of the market. Rather, they must hope that the market is also interested in what they are interested in. Otherwise, they have no opportunity to sell and thus refresh their inventory.

Mall owners, on the other hand, seem to place a great deal of importance on having something to appeal to everyone. As a consequence, their inventories become similar and, unless they have differentiated in terms of service, or location, the only remaining variable to use to create a differential advantage in the perceptions of the customer is price. Thus, one can readily see why the marketing tactics pertaining to price are significantly more important to mall owners than to antique shop owners. The mall owners have managed to create an offer, an inventory, that is essentially a commodity. Consequently, they have no differential advantage in terms of product offerings and must use price.

The above conclusions imply that there is an

opportunity for marketing scholars to educate both groups of owners as to the use of cost in pricing and, more important to the development of a sustainable differential advantage in the perceptions of the customers which will result in a competitive advantage for the

owners. In the case of antique shop owners, the result will be a flow of cash that will enable them to continue their collecting and in the case of mall owners, economic profits that were and are the reward for creating value for customers.

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# THE USE OF STRATEGIC ALLIANCES BY CLASS I LTL MOTOR CARRIERS: OPPORTUNITIES FOR SERVICE EXPANSION INTO WAREHOUSING

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## ABSTRACT

Deregulation was a troublesome event for many in the motor carrier industry. Since deregulation in 1980 the Less-Than-Load (LTL) segment of the motor carrier industry has been forced to examine past practices and consider ways to attract and retain new customers. External logistics providers are abundant and many potential customers are reducing their supplier bases to reduce bureaucratic costs. As a result, Class I LTL motor carriers are competing to remain on their customers' shrinking supplier lists. Some carriers have responded to the increase in competition by expanding the number of services available to customers.

Logistics providers with a desire to expand service offerings face many difficult decisions. The idea of pursuing a differentiated marketing strategy of offering multiple customized services is a practical approach. However, due primarily to a lack of resources many carriers are taking the more cost effective approach of pursuing strategic alliances to expand service offerings.

Throughout the 1990's many businesses have embraced strategic alliances as a way to do business. Alliances are a form of relationship marketing which is defined as "a relationship that strives to establish, develop, and maintain exchanges by the use of long-term relationship building." Specifically this research is interested in the role strategic alliances can play in a motor carrier service expansion into warehousing.

The results are based on a sample of fourteen Class I LTL carriers currently involved in strategic alliance relationships with external warehouse providers. Narrative data from participating carriers is critically analyzed to gain insight into alliance behavior and effectiveness. It should be noted that 33% of the Class I LTL carriers offering warehousing services use a strategic alliance-type relationship with an external provider to achieve the service expansion. This number alone is significant enough to justify further research. However, due to lack of resources, the researchers believe the number of carriers expanding by entering into a strategic alliance-type relationship with an external entity is much higher among smaller carriers.

Summaries of key responses are investigated. Most carriers (79%) indicated they want to simplify the entire process for the customer by creating a seamless bundle of transportation and warehousing services. Common ways to help achieve a seamless bundle include streamlining the communication process, combining billing practices, and reducing the amount of physical separation between terminals and warehouse facilities. Interestingly, the results indicate a lack of revenue generated by these types of strategic alliance relationships. 80% of carriers indicated the alliance relationship with their warehousing partner generated less than 25% of their total revenue.

This research suggests firms are beginning to realize the high level of achievement available by pooling resources with other companies and employing networking techniques. Alliance-type relationships may be one way for many small and medium-sized carriers to effectively expand service offerings to remain competitive in the deregulated marketplace of the 1990's.

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# TRANSPORTATION BUYER'S PERCEPTIONS OF ENTREPRENEURIAL CUSTOMER-SEEKING EXPRESS DELIVERY COMPANIES

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## ABSTRACT

*Survey results indicate clearly, dependability/quality of service is the overall most important factor among those surveyed when selecting an express company. Survey results also dispelled the notion that companies tend to ship more with UPS because of the perceived cost savings and are not viewed as being the same in terms of meeting its customers' needs.*

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## INTRODUCTION

Small-package carriers are not just for emergencies anymore. With inventory-carrying costs rising and shipments shrinking in size, transportation buyers are beginning to tap package express carriers for routine deliveries and a host of new services (Minihan 1998) while, at the same time, the number of small businesses, as measured in business tax returns, in the United States is increasing – 57 percent since 1982. As of 1996, there were approximately 23.3 million non-farm businesses, of which 99 percent are small by size standards set by the U.S. Small Business Administration (SBA). These include corporations, partnerships and sole proprietorships – all of whom are transportation buyers (*The Facts About Small Business* 1997).

This particular information certainly has not gone unnoticed by the express delivery companies. Federal Express (FedEx), United Parcel Service (UPS), Rapid Parcel Service (RPS), and the U.S. Postal Service are all seeking to tap into the ever increasing customer base represented by smaller entrepreneurial firms. Traditional marketing strategies which focused primarily on big businesses with large shipping volumes, are expanding to include smaller entrepreneurial firms who may ship only 3-5 packages a week. Currently, both UPS and Fed Ex offer free shipping software designed just for these small accounts. The software can be delivered directly to the customer or downloaded from each company's web site. In addition, FedEx is encouraging their couriers to seek out and refer sales leads for their account executives to further develop, regardless of shipping volume. Leads that turn into productive accounts generally earns the courier incentive pay.

As competition builds for these entrepreneurial customers, express delivery companies are striving to differentiate themselves from their competitors by delivering the best possible service and by developing closer customer relationships. This is becoming more difficult, however, as each express company is looking more and more alike. UPS, who for many decades handled only ground freight, launched their air service after witnessing FedEx's success in the overnight market. FedEx is now slowly moving into the ground business initially with the introduction of their Express Saver (3 day) service and, more recently, with the acquisition of Caliber System, Inc.. Caliber System, Inc. is made up of five companies which includes both RPS and Roberts Express, the nation's largest ground-based expedited carrier. This acquisition positions FedEx for head-to-head competition with UPS on air as well as ground freight.

According to Minahan (1998), "Growing demand for deferred services has package carriers rushing to buy, build, or borrow the trucks and terminals necessary to support such time-specific services. The reason? It costs a heck of a lot less to send a package over the road than in the air. And, with nearly 65 percent of all shipments traveling less than 700 miles, trucks can be used to deliver to many domestic locations within two days. Carriers who can develop a reliable ground network will be able to cut costs and improve profits significantly" (Minahan 1998).

In addition to business structure and marketing strategy, price differentials are also becoming less of an issue. FedEx has, for the most part, had the reputation of having higher rates than other express companies. This is due primarily to the company starting out in the overnight

**TABLE I**

<b>Service</b>	<b>UPS</b>	<b>FedEx</b>
Next Business Day by 8:00 a.m.	\$36.50	\$37.50
Next Business Day by 10:30 a.m.	\$11.50	\$12.50
Next Business Day by 3:00 p.m.	\$10.00	\$10.75
Second Business Day	\$5.75	\$7.25

\*Data provided by UPS and FedEx web sites.

business which is more expensive to manage when compared to the costs of a ground company such as UPS. However, as these two companies have grown and developed, pricing differences have narrowed significantly. For example, the rates for a letter shipped the same distance within a specific Midwestern market, although not identical, are very competitive.

With a wide-range of delivery and data management services, small package carriers are appealing transportation partners for shippers hoping to get high-value goods off the stockroom shelves and into the hands of customers. And, as the lines continue to blur between these types of entrepreneurial express companies, superior service and customer focus, which embraces the needs of other entrepreneurial and small business firms, will become an even more important strategy for the future for these express companies. For these reasons this study was initiated to ascertain the perceptions of various entrepreneurial and small business firms concerning express delivery companies and services provided.

### **HYPOTHESIS**

It is believed that entrepreneurs/small business owners are primarily concerned with price when deciding which delivery company to utilize. Entrepreneurs generally have limited funds in which to not only start, but to generally grow their businesses. One would possibly conclude, as well, based on current rate structures, that the average small business would tend to ship more with UPS as their rates appear more reasonable. FedEx, on the otherhand, would be viewed as a premium service company with a premium price and would perhaps be utilized only on the most critical shipments. It is also believed that express companies are viewed as fairly generic in terms of services offered, therefore, in the scheme of things, small entrepreneurial businesses wouldn't necessarily expect the royal treatment by express companies which is usually reserved for high volume customers. Furthermore, it is believed

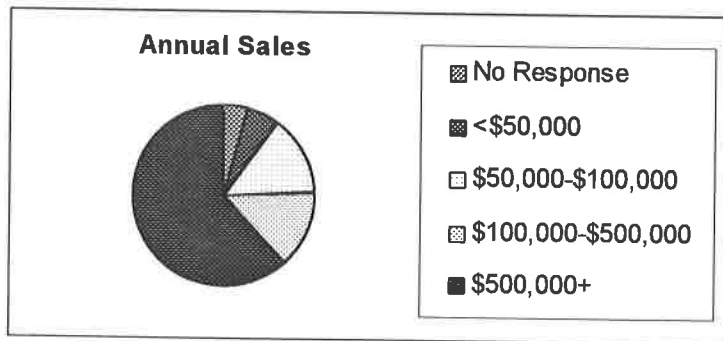
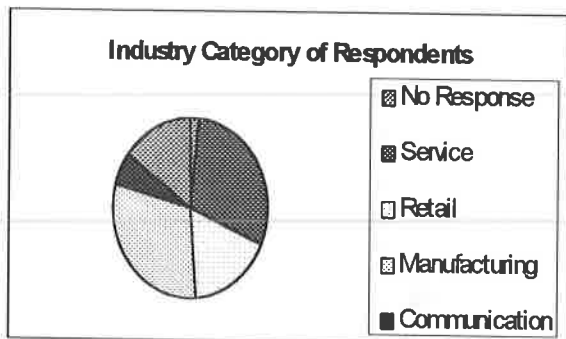
that most entrepreneurial firms have diversified the distribution of outgoing packages among more express companies since the recent UPS strike. Companies who shipped virtually all their freight with UPS during the strike were severely hampered. In addition, they quickly ascertained that FedEx and RPS were not willing to jeopardize their current loyal customers' freight in order to take on what would normally be UPS freight. FedEx and RPS turned many of these so-called prospective customers away as their capacity was limited also.

### **DATA COLLECTION**

One hundred-fifty questionnaires were mailed to small/entrepreneurial firms known to use express delivery companies on a regular basis. The questionnaire contained seven questions focusing on important characteristics, performance, customer focus, and market share of express delivery companies. Question one asked what factors determine the selection of an express company. Question two asked which express company was perceived to be the most interested in meeting their company needs. Question three asked respondents to rate the service received from the express companies. Question four was a multi-part question which dealt with market share. First, respondents were asked to identify the company which currently receives the majority of their company's overnight shipping. To evaluate the effect of the UPS strike on shipping selections each company was also asked which express delivery companies now receive a larger share of their shipments because of the recent strike. Finally, respondents were asked to indicate their respective industry category from a list of choices, and size in terms of annual sales. A self-addressed postage paid return envelope was included.

### **DATA SUMMARY**

Of the 150 surveys mailed, 93 were completed and returned for a 62 percent response rate. Nearly 30 percent (28) of the respondents categorized their business



as manufacturing, 29 percent (27) in the service industry, 17 percent (16) in retail, 15 percent (14) in communications/computing, and 6.5 percent (6) in "other" industries.

In terms of business size, approximately 66 percent (61) of the small/entrepreneurial firms surveyed reported annual sales in excess of \$500,000. Twenty-eight percent (26) of these businesses noted having sales in the \$50,000-\$500,000 range while only 6.5 percent (6) of the firms had sales of less than \$50,000.

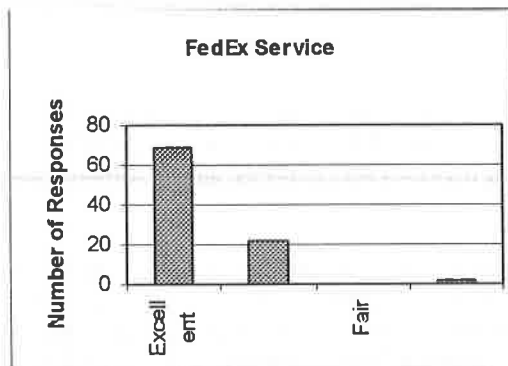
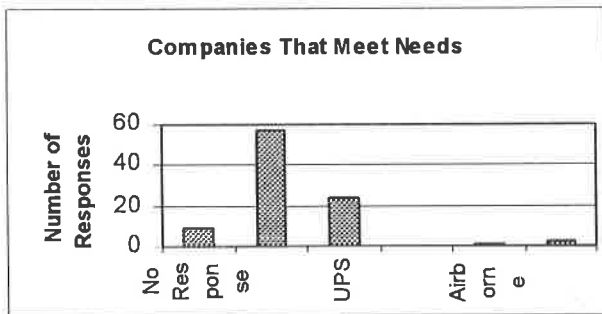
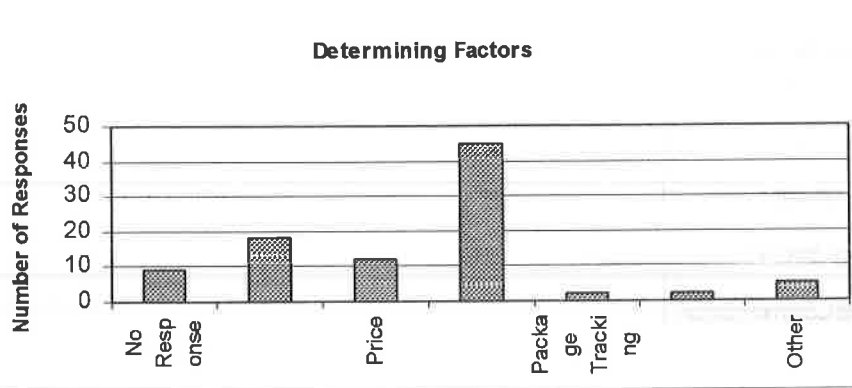
When determining the selection of an express delivery company nearly 50 percent of the respondents cited dependability/quality of service as the most influential factor. Approximately 19 percent (18) of the respondents indicated that their customers decided which company to use for their shipping needs. Of all respondents, only 12.9 percent (12) reported price as being the most important deciding factor.

In terms of the company that seemed the most interested in meeting respective company needs, 61.3

percent (57) of the respondents selected FedEx while 24.7 percent (23) of the respondents selected UPS. The remaining responses were dispersed among Airborne and "Other" companies.

When asked which company gets the majority of their respective shipping business, 61.3 percent (57) indicated FedEx. And, when specifically asked then to rate the service of FedEx, of its users, an overwhelming 91 percent rated it as excellent or good. Only two responses indicated that FedEx's service needed improvement.

The final question dealt with how the UPS strike in August of 1997 had affected their company's shipping habits. Fifty-two point seven percent (49) of the firms indicated they hadn't changed their shipping habits at all. Thirty-four point four percent (32) respondents, however, noted that FedEx now receives a larger share of their shipping business as a result of the strike. Only four respondents indicated RPS, Airborne, and "Other" companies as receiving a larger share of their shipping business.

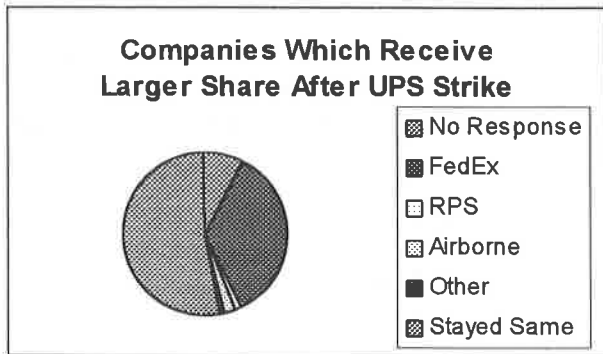


## ANALYSIS

Further analysis of the data indicate some interesting relationships. For example, of the firms with less than \$500,000 in annual sales, 13 percent indicated that UPS was the most interested in meeting their needs. This particular percentage increases to 33 percent among those firms with greater than \$500,000 in annual sales. It is possible that UPS has chosen to focus their efforts on establishing closer relationships with larger companies. In addition, of those respondents who said that UPS is most interested in meeting their needs, a convincing 71 percent reported that their shipping habits stayed the

same after the UPS strike. This segment of the sample population, more or less, represents loyal UPS customers. However, this indicates that at least a quarter of these same respondents made the decision to diversify their shipping business and lessen their dependence on UPS. Arkansas based Baldor Electric Company, as recently reported in *Business Week*, is keeping 10 percent of its shipping business with UPS competitors now that the strike is over. Keith Newman, Baldor's transportation manager indicated, "We don't want to have all our eggs in one basket again anytime soon" (Harris 1997). This shift in market share is further verified by UPS officials





**TABLE II**

Determining Factors	Loyal UPS Customers	Loyal FedEx Customers
Price	21%	9%
Service	25%	63%

who say that, even now, volume levels have not returned to pre-strike levels. "UPS said it has lost 16,400 full-time and part-time jobs since May 1996, a trend it blames on a four percent decline in business" (*CNNfn* 1997).

Further comparisons of the findings indicate additional information concerning how loyal UPS customers have different viewpoints than do loyal FedEx customers. In the table that follows, "loyal" refers to those respondents who selected the company they believed to be most interested in meeting their needs. The data indicate how their priorities differ.

Loyal UPS customers are more price sensitive and less concerned about service than loyal FedEx customers. This would explain why FedEx customers have been willing to pay more for shipping in the past.

The final analysis concerns the importance of focusing on the customer. A significant correlation exists between customer focus and market share. Of the 61.3

percent (57) of the respondents who indicated that FedEx was most interested in meeting their needs, 51.6 percent (48) provided them the majority of their business. Similarly, of the approximate 16 percent (24) who selected UPS, 21.5 percent (20) provided them the majority of their business. The data verifies the need to develop a close, win-win relationship with customers, no matter what size.

**CONCLUSION**

In conclusion, survey results indicate the importance of price sensitivity among small entrepreneurial firms when selecting express delivery companies, however, it is not a major determining factor. Clearly, dependability/quality of service is the overall most important factor among those surveyed when selecting an express company. Pricing as a factor was a distant third among the factors identified. This may well be explained, in part, by the narrowing price differentials among express companies over recent years. In addition, survey results dispelled the notion that these companies tend to

savings. Results of the survey indicate respondents placing the majority of their shipping business with FedEx over UPS by a 2-1 margin. Survey results also indicate that express companies are not viewed as being the same in terms of meeting its customers' needs. FedEx is perceived to be outperforming all other express companies in the important area of customer focus. And

finally, the issue concerning the increased distribution of shipping business due to the UPS strike was strongly supported by the survey. More than a third of the respondents reported that UPS's competitors are now receiving a larger share of their respective company business. Further research is recommended in order to validate these results.

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# FRAGILITY AND RESPONSIBILITY

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## ABSTRACT

*As educators, it is our ethical responsibility to do our best to disseminate the truth to our students and colleagues. But how does one recognize the truth? The authors review some broad epistemological issues before looking at a specific research example which uses multiple regression analysis to support the claim that autocratically governed universities are better. The authors discuss potential measurement and specification errors to show that this claim is "fragile" and conclude by encouraging us to examine the fragility of our own work.*

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## INTRODUCTION

As educators, it is our ethical responsibility to do our best to disseminate the truth to our students and colleagues. But how does one recognize the truth? Tennant (1997, p. 1) states, "What is in the world, and can it all be talked about? Does our taking it to be thus-and-so make it thus-and-so? How might one come to know whether what is said is true?" What methodology determines truth?

"As used by philosophers, 'methodology' is often indistinguishable from epistemology (theory of knowledge) or philosophy of science. In this sense, the subject-matter of methodology consists - very roughly speaking - of the most basic questions that can be raised concerning the pursuit of truth. Characteristically, this 'methodology' deals with what can be said about science..." (Kaplan, 1964, p. 20). Kerlinger (1964, p 3) defines scientific research as the "systematic, controlled, empirical, and critical investigation of hypothetical propositions about the presumed relations among natural phenomenon."

Hofstadter (1979, p. 17) states Gödel's famous mathematical theorem as, "All consistent axiomatic formulations of number theory include undecidable propositions." Gödel proved that there are statements in mathematics that are true but could never be proven to be true. We should therefore not be surprised about the difficulty of finding truth in other areas of research. Nonetheless, mathematical proofs can, of course, be established.

Probably the most famous mathematical proof in recent years is Andrew Wiles' proof of Fermat's Last

Theorem (Pierre de Fermat was a 17<sup>th</sup> century mathematician). The theorem states that there are no whole number solutions for the equation  $z^n = x^n + y^n$  for values of  $n$  greater than 2. Potentially, it would be easy to falsify the theorem by finding one example where the equation holds for values of  $n$  greater than 2. Conversely, as combinations of values for  $x$ ,  $y$ ,  $z$ , and  $n$  accumulate that agree with the theorem, evidence is added that supports the contention that the theorem is true, which is inductive support for the theorem. Over the centuries, people tried to find the exception that would test the theorem (prove the theorem false), but none were found. According to Singh (1997), by using a combination of inductive proofs (which were mathematically more rigorous than simply finding more examples that agreed with the theorem) and proof by contradiction, Wiles was able to prove (using 20<sup>th</sup> century mathematics) that Fermat's last theorem was true.

In scientific research, including behavioral and business research, proofs tend to be less air-tight than mathematical proofs. Singh (1997) describes scientific proofs as poor relations to mathematical proofs. If observations of phenomena agree well with the theory or hypothesis, then this adds to the level of confidence in the concept. "However," Singh says, "scientific theory can never be proved to the same absolute level of a mathematical theorem: It is merely considered highly likely based on the evidence available" (p. 20).

Just as mathematical claims can be disproved by a counter-example, a central concept in scientific inquiry is that a scientific concept should be open to falsification. Gould (1983) emphasizes this in differentiating science from other forms of inquiry. He states, "Philosopher Karl Popper has argued for decades that the primary criterion of science is the falsifiability of its theories. We can

Table 1  
Definitions of Independent Variables

AGE	Age of university
ENROLL	Enrollment
LIBRARY	Number of volumes in the library
PRIVATE	Public (PRIVATE = 0) or private (PRIVATE = 1) university
REVPS	Total university revenue per student
SALARY	Average salary of full professors
SFRATIO	Student/faculty ratio
TUITION	In-state tuition

Table 2  
A Representative Regression Model

<u>Variable</u>	<u>Regression Coefficient</u>	<u>Significance</u>
Constant	633.255	0.000
GOVERN	-2.187	0.081
TUITION	0.104	0.000
LIBRARY	8.633E-06	0.380
SALARY	1.594E-02	0.000
AGE	0.410	0.019
PRIVATE	-37.939	0.139
SFRATIO	-0.879	0.560
REVPS	1.220E-03	0.032
ENROLL	-2.160E-03	0.013

Note: Dependent Variable: SAT; Adjusted R-squared = 0.727; F = 39.55

never prove absolutely, but we can falsify. A set of ideas that cannot, in principle, be falsified is not science" (p. 256).

#### TESTING A MANAGEMENT CLAIM

In a 1988 article, McCormick and Meiners (M&M) claim that autocratically governed universities are better than those in which the faculty participates in university governance. They say (McCormick and Meiners 1988).

"Universities are not homogeneously organized. Major decisions at many schools are directly controlled by a vote of the faculty, while those decisions are made by full-time administrators at other schools. The dichotomy is not clean, however. At the latter schools, faculty discussion and input is a major part of the decision-making process; only the ultimate decision is left to administrators. We believe the voting process yields inferior decisions. In

this article we have subjected this proposition to empirical scrutiny, and the evidence suggests that faculty governance reduces university quality. Left unanswered is the following question: why do schools allow faculty to participate in decisions that, according to our theory and evidence, they are not fully competent to handle?"

This is an interesting and intriguing claim. If true, it has important policy implications. But is it true? To support their contention, they employed regression analysis to explain variability in university quality. Multiple regression is a technique that is used in a wide range of problems to predict or explain phenomena. Kerlinger and Pehasur (1973, p. v) state, "multiple regression is a general data analytic system ... that is close to the theoretical and inferential preoccupations and methods of scientific behavioral research. If, as we believe, science's main job is to 'explain' natural phenomena by discovering and studying the relations among variables, then multiple regression is a general

and efficient method to help do this.”

M&M used two variables to measure the dependent variable, university quality. The number of publications in top journals was used as the dependent variable in a small data set ( $n=44$ ), and the SAT scores for entering students (called SAT) was used in a larger data set ( $n=207$ ). We limit our discussion to an analysis of the larger data set.<sup>1</sup>

To measure the nature of university governance, M&M also used two variables. The first, called GOVERN, is the number of decisions, from a list of thirty-one possible decisions, that faculty are involved in at the university. The second, called AAUPFRAC, is the fraction of the faculty who belong to the AAUP (American Association of University Professors). Other independent variables used by M&M are shown in Table 1.

In order to empirically test their claim that autocratically governed universities are better, M&M present the results of a series of regression equations. The SPSS output of a typical equation, out of the seven they reported using SAT as the dependent variable and GOVERN to measure university governance, is given in Table 2.

Because the coefficient for the variable, GOVERN, is negative and is significant (at least at  $\alpha = 0.10$ ), M&M infer that autocratically governed universities are better. An increase in GOVERN means that faculty are involved in more decisions. Because the coefficient for GOVERN is negative, an increase in GOVERN tends to decrease SAT, which is being used to measure overall university quality. M&M report six other regression equations based on the larger data set. They result in negative coefficients for GOVERN, with significance levels varying from 0.038 to 0.171.

### IS M&M'S CLAIM TRUE?

Because M&M were able to report a number of examples of equations where increased faculty participation in university governance (as measured by GOVERN) decreased university quality (as measured by SAT scores of entering students), this provides some inductive support for their claim. On the other hand, several questions arise about the methodology adopted. Our remarks concentrate on potential measurement and specification errors.

Hair et al. (1995, p. 102) define measurement error as the degree to which “the variable is an accurate

and consistent measure of the concept being studied.” Measurement error is closely linked to the idea of validity which Kerlinger (1964) defines by answering the question: “Are we measuring what we think we are measuring?” Measurement error and validity are potentially serious problems in behavioral and business research (especially in comparison to mathematics and the “hard” sciences) because constructs (e.g., university quality) are measured using operational definitions that are not perfect but may be the best available (e.g., SAT scores of entering students).

Are SAT scores a valid measure of university quality? Does GOVERN (or AAUPFRAC) measure the level of faculty governance? Do these operational definitions of their underlying constructs possess even face validity? Such measurement questions are reasonable, the answers to which can cause reasonable people to be skeptical about M&M's claim. If the variables chosen for measuring the concepts are not valid, then the truth of the conclusions is brought into doubt.

Even if we assume that the variables are all reasonable operational measures of their corresponding constructs, does this mean that the case has been made for the benefits of autocratic university administrations? The variables listed in Table 1 might be included in anybody's list of factors that could influence university quality. Given a few minutes, people could easily think of other variables that could also affect quality. People from different research backgrounds or with different experiences are likely to believe that different variables should be included or excluded from the model of the effect of faculty governance on university quality. This refers to specification errors “which concern the inclusion of irrelevant variables or the omission of relevant variables from the set of independent variables,” which should be “based principally on conceptual or theoretical grounds” (Hair et al., 1995, p. 101). Especially in this context, the specification problem is important because “regression coefficients, unfortunately for interpretive purposes, are not stable. They change with different samples and with addition or subtraction of independent variables to the analysis” (Kerlinger, 1964, p. 622).

Leamer (1983) refers to this potential instability as fragility. He states “an inference is not believable if it is fragile, if it can be reversed by minor changes in assumptions” (p. 38). In referring to the specification problem, Leamer points out that different conceptual or theoretical prior convictions could cause different researchers to include or exclude different variables in the regression analysis. Using his approach, in Table 3, we

Table 3  
Some Selected Prior Convictions

<u>Prior Conviction</u>	<u>Description</u>
Management	Management style is the major determinant of university quality
Resource	The level of resources determines quality
Faculty	High quality faculty are at the heart of university quality
Tradition	Established, exclusive universities are best
Critical Mass	A critical mass is needed in terms of resources compared to Educational needs

Table 4  
Required (R) and Possible (P) Variables for Various Prior Convictions

<u>Prior Conviction</u>	<u>Independent Variables</u>							
	<u>AGE</u>	<u>ENROLL</u>	<u>LIBRARY</u>	<u>PRIVATE</u>	<u>REVPS</u>	<u>SALARY</u>	<u>SFRATIO</u>	<u>TUITION</u>
Management	P	P	P	P	P	P	P	P
Resource	P	P	R	R	R	P	P	R
Faculty	P	P	P	P	P	R	P	R
Tradition	R	P	P	R	P	P	P	P
Critical Mass	P	R	R	P	R	P	R	P

Table 5  
Range of Coefficients for GOVERN  
Under Various Prior Convictions

<u>Prior Conviction</u>	<u>Minimum Value</u>	<u>Maximum Value</u>
Management	-2.11	+2.93
Resource	-2.24	-1.72
Faculty	-2.11	+0.02
Tradition	-2.56	-0.19
Critical Mass	-2.19	+1.37

have listed five potential sets of prior convictions; the reader should be able to think of others. The Management prior conviction is that style of governance is critical to university quality, but that other variables may be of some importance. Similarly, the Resource prior conviction places an emphasis on the need for resources, such as tuition, volumes in the library, revenues per student, and private versus public universities in order to have high quality.

Table 4 summarizes the variables which each prior conviction might suggest should always be required (R) in a model of university quality and those which are possible (P). Using these five sets of prior convictions, regression equations were developed. For each set, the required variables (signified by R in Table 4) and GOVERN were used in the equation along with combinations of the possible variables (signified by P in

Table 4). The range of coefficients which resulted for GOVERN are shown in Table 5.

The coefficients for GOVERN are significant at the 5% level only under the best circumstances (the coefficient for GOVERN of -2.56 has a significance of 0.047), and in some cases, the sign of the coefficient is "wrong." These positive coefficients do not necessarily falsify M&M's claim, but they do raise questions about it. These positive coefficients become even more pronounced if AAUPFRAC is substituted for GOVERN as the measure of faculty governance. The results are shown in Table 6.

When AAUPFRAC is used as the measure of faculty governance in the larger data set, it appears that faculty governance improves university quality, at least in all of the combinations of required and possible variables

Table 6  
Range of Coefficients for AAUPFRAC  
Under Various Prior Convictions

<u>Prior Conviction</u>	<u>Minimum Value</u>	<u>Maximum Value</u>
Management	+15.07	+190.36
Resource	+35.07	+ 84.03
Faculty	+15.07	+113.08
Tradition	+17.35	+105.30
Critical Mass	+57.90	+263.35

examined. This might cause some to infer that faculty participation in university governance improves quality. Obviously that conclusion could also be fragile. If anything, these results reasonably raise questions about measurement and specification errors in the study.

### CONCLUSION

Are autocratically governed universities better? M&M raise a good question and provide some inductive proof of their claim. However, the validity of their claim is suspect due to errors in measurements and the sensitivity of their results to model specifications. On the other hand, we have not proved that their claim is false.

Maybe autocratically governed universities are better, but because of the measurement and specification problems, one should be skeptical. This skepticism might be translated into active opposition if this research were used by administrators to justify diminishing the role of faculty in university governance.

In a similar way, we should be skeptical of our own work when the conclusions are sensitive to changes in specifications or if the validity of the measurements is questionable. Even though in business research truth is likely to remain more ephemeral than in mathematics or the hard sciences, as seekers of truth, it is our ethical responsibility to seek it.

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1. Each case in the data sets contains information on an American university in 1970.

# TO BE (A TEACHER) OR NOT TO BE? THAT IS THE QUESTION.

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## ABSTRACT

*This paper explores the ethical dilemma faced by most business schools concerning whether faculty should spend their effort and time developing their teaching abilities or doing theoretical research. The authors suggest a possible reallocation of resources in which a good teacher and researcher are not mutually exclusive.*

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## INTRODUCTION

This paper addresses a wide spread ethical dilemma faced by business schools across the country. Should business schools seek to attract undergraduate students by promoting student oriented faculty, small class sizes, and delivery of practical hands-on business related experience? In general, many if not most, faculty are being recruited and promoted not on their teaching effectiveness but on their theoretical research output? This paper attempts not to decide between the two, but suggests a possible reallocation of resources such that a good researcher and teacher are not at opposite ends of a continuum.

For better or worse, most higher education institutions reward structures encourage faculty to expend most of their energy toward doing research that can advance the discipline and far less energy in classroom development related activities; even if the school touts itself as being a teaching oriented institution. The dilemma occurs when a faculty member takes a vested interest in enhancing his/her teaching effectiveness in the classroom and spends less time doing research for the discipline. The old saying "publish or perish" rings true across most higher education institutions. Categorizing professional development as doing "research" or "enhancing teaching effectiveness" may be part of the problem. It assumes that "research" can only advance the discipline from a theoretical sense and "enhancing teaching effectiveness" can only benefit students in a specific class. While this may be true in the traditional view of academia, it may not need to continue this way as business schools are forced to adapt to a changing business environment.

Society has truly begun to question the value

and operation of higher education. The popular press has continually examined the higher education system where one of the most significant criticisms levied against business schools is that students are not being prepared to become effective employees, decision makers, and leaders. The business community wants specific working skills to be developed in students allowing them to function and contribute immediately within the organization at an entry or middle level position. Instead, many higher education institutions train the students to think so esoterically and theoretically, they have difficulty adapting theories to real life decision making situations.

## What Is The Function Of Higher Education In The Traditional Sense?

Hunt (1992) was one of the more well known business scholars to admit that marketing education is analogous to business in that we manufacture, warehouse and retail knowledge, and that like any industry, business schools respond to elasticity of demand. He proposed that the explosive growth in business schools during the sixties and seventies was due in part to production of a high demand 'product'--- educated students and knowledge. There are basically three functional values produced by institutions of higher education in the traditional sense: creation, storage and transfer of knowledge (Ehie and Karathanos 1994).

## Creation

Without this first function, creation, schools would become obsolete as there would be nothing to store or disseminate. This is unquestionably a primary function of any higher educational institution and must continue to be in the future. Ongoing theoretical research is absolutely vital in any discipline as it allows a



discipline to advance, change, and discover new information. Where would the medical field be without ongoing research and where would the discipline of marketing be if everything ended with Hunt's "General theories and the fundamental explanations of marketing" (1983)? This function is primarily accomplished through the research endeavors of the faculty at large.

Funding for research can come from a variety of sources ranging from the university itself (in the form of a lighter teaching load thus affording the professor the time needed to spend doing research) to publicly funded research activities and grants. What type of knowledge we should produce is another question. Traditionally, what type of knowledge is produced is subject to the current research interests of the individual faculty member and is generally oriented toward the advancement of the general discipline (Berry 1993). It is common practice for an academic to pursue a narrow field of interest and conduct research relating to that stream of research thus establishing him/herself as an expert in the field. Typically, "research" is not practitioner oriented in that it does not relate specifically to any type of skills development targeted toward individual students. Most research done in academia is basic research, not applied. As such, the faculty member wanting to further develop in-classroom performance is left to work on this in addition to doing theoretical research, not in place of. The problem arises when we consider the product of most business schools, i.e., the educated theoretical student, and the type of student demanded from the business community. As marketers, it is shameful to admit that we ourselves have not adopted the marketing orientation, i.e.-- producing a product that is in demand from our constituency, the business community. Instead, we have been guilty of utilizing a production orientation and providing the business community with a product that we feel comfortable in producing, regardless of whether that product is in demand, i.e., students with great theoretical understandings but little practical application expertise.

### **Storage**

The storage function of higher education institutions is accomplished by having knowledgeable professors, books, journals, and other access to written or multimedia work. This function of knowledge storage is jointly served by higher education institutions by way of the library, a variety of marketing related associations sponsoring published journals and conference proceedings, and by the individual faculty members choosing to submit such research for publication. It

should be noted that traditionally, the library is often foremost when thinking of knowledge storage facilities, however in light of common budget cuts, the library is often the first place to feel the pinch. Holdings and journal subscriptions are often reduced and transferred directly to individual faculty, thus in some cases, the faculty member may take on a primary role in the storage function.

### **Transfer Of Knowledge**

First and foremost, we transfer knowledge to students, business, government, other academics and society at large. The transfer of knowledge is accomplished in a variety of ways: teaching students, consulting with businesses in the community, involvement in community organizations, publications in various popular press media, knowledge shared with business through the trade press, authoring books, publications of academic manuscripts, and making presentations at professional meetings (Ehie and Karathanos 1994). While we typically address students as our most direct constituents in knowledge transfer, this may be incorrect. While students are typically the most readily apparent recipient of the knowledge transfer, they typically do not represent the largest percentage of the total constituent base (Reardon, Miller, Harris 1998). If we were to compare the transference of depth of knowledge, this would likely be restricted to graduate students, other academics, and some businesses. If we were to compare transference of quantity of knowledge, we might find that circulation of some popular press and trade articles outweigh the total number of students we have. However, in the traditional sense, the greatest concentration of the bulk of our attention is given to students as they are those with whom we have the most direct contact.

It should also be noted that students are not necessarily intended to be the final repository of the knowledge transferred. It has become clear that student expectations of the higher education system can be rather limited. It seems to be the norm that students enter college with the idea of obtaining a degree which will allow them to get a good job and function effectively in the organization thus leading to promotions, rather than going to college simply to be educated. In this sense, the final depository of knowledge is not the student but the business community and society at large. As such, the educational demands of society and the business community go far beyond the delivery of theoretical euphemisms. They want practical, useful, application oriented tools that readily equip them to dealing with a

changing, competitive business environment.

### **How Does A Teaching Or Research Emphasis Fulfill Each Of These Goals In The Traditional Sense?**

Teaching and research oriented activities are generally among the highest priorities of any faculty member in any business school. However, typically an institution will indirectly stress research more prominently than teaching, and seldom is a faculty member rewarded at the highest level for being a master at both. Traditionally, higher education institutions will strive to fulfill the goals of creating, storing and disseminating knowledge while focusing overwhelmingly on the creation (research) side rather than the dissemination (teaching and consulting) side. This would suggest that perhaps higher education institutions see their primary obligation as the creation of knowledge rather than the transference of knowledge. Clearly, placing a fair amount of effort and resources toward research is the only way the creation of knowledge can be accomplished in the long run. If everyone were to focus on becoming a better teacher and no one is spending any effort toward the advancement of the discipline, we would quickly become outdated and useless to our constituencies operating in a changing environment. By the same token, if everyone were to focus on theoretical research aimed at general advancement of the discipline, we would quickly become outdated and useless to our constituencies needing practical application tools to help them function in a competitive environment.

The existence of knowledge is in and of itself useless. It must be somehow transferred to individuals who can then use this information to make better business, economic, and quality of life related decisions.

Therefore, it is clearly important that higher education institutions focus on the dissemination of knowledge since the recipients, students and business employers, clearly depend on this source of information. At this time it becomes critical for higher education institutions to re-evaluate their market segmentation strategies and more clearly define their served markets. Students are not the end consumer of the service being delivered. The demand for students would be quickly lost if the students could not get jobs stemming from their business school training. Students do not want a business school degree for the sake of being educated. Students are in fact exhibiting derived demand stemming from the business community and society at large. In this sense, higher education business schools should be more concerned

about catering to the demands of the final customer, i.e.-- delivering practical, real world oriented students to the business community and society at large, rather than to the whims of the faculty administration wanting more theoretical research output.

### **How Did We Get Into The Trap Of Placing Research As Such A High Priority?**

Why do most higher education institutions fail to address both research and transference of knowledge (i.e., teaching) as their primary mission? The answer may lie in our own evolution. As a doctoral candidate, it is considered taboo to ever admit that one is interested in anything other than doing research after graduation. Doctoral candidates are reared with the understanding that a teaching oriented college is to some extent less prestigious than a research oriented college (Hansen 1990). A doctoral student graduated from a research oriented college is perceived to have the necessary expertise for the most part to go to another research oriented institution or a teaching oriented institution (but why would they choose this if they could go to a research oriented institution?). A doctoral student graduated from a teaching oriented institution for the most part is not perceived with the same prestige and is commonly restricted to employment at other teaching oriented (less affluent) institutions. Research oriented institutions tend to reward faculty for research publications and give less incentive to excel in the classroom where as teaching oriented institutions tend to place a greater emphasis on excelling in the classroom but still require some significant research output as well. The ethical dilemma is that both of these types of institutions tend to try to recruit undergraduate students by promoting teaching related benefits such as small class sizes, student centered faculty, etc.

### **Sources Of Conflict**

Where does the perceived conflict between what a university advertises to its outside constituencies and what it implies to its faculty as the primary focus of the operation lie? Some universities hold themselves out to be focused primarily on teaching excellence. They claim to have a special focus in 'the student' with an emphasis on quality teaching, small class sizes, faculty that are highly accessible to students, etc.

This deviation in focus implied to these two constituency areas is where the perceived conflict arises. The students and businesses being recruited perceive that the main focus of faculty is on the transfer of useful

knowledge to the students for the benefit of themselves and their employers. However, faculty members interpret their reward structure to value efforts in the publishing area more highly. While written documents often demand similar levels of excellence in all three customary areas of faculty involvement (research, teaching, and service) at both 'research' and 'teaching' oriented institutions, the reality is the review process for a faculty members' retention and promotion often uses a non-compensatory model requiring a standard level of research before consideration of teaching, service or any other factors is made.

In order to be retained and promoted, professors must focus on the three traditional areas of Research, Teaching and Service. Regardless of the institution, there is usually a top priority to research and publish in academically prestigious journals while 'teaching' and 'service' usually receive lesser levels of priority. It is wise to excel at research and achieve levels of teaching and service evaluations that demonstrate at least a minimum competence. This focus on publishable research output reduces the time available to prepare classroom activities. Less time is available for improved information organization and delivery of useful information to students. Often for the faculty member to achieve retention and promotion, he must maintain currency in areas of the literature that are most likely targets for publication success. This in turn diverts time and attention from information areas that hold more relevancy to the undergraduate and MBA students that make up the bulk of the student population in the classroom. Unfortunately it is no longer possible to keep up with all the latest cutting edge developments in all the theoretical areas that are taught at the undergraduate and masters levels.

A further interference with the transfer of knowledge to students is related to differences in subject matter of focus in publication outlets and in the classroom. The nuances and esoteric points of interest in most academically prestigious journals are of little immediate practical use to students who tend to be focused on learning skills to succeed in their current or soon anticipated jobs. This type of information is of more interest to doctoral students training to be future faculty members themselves. The material most relevant to meeting students' current needs lies in the more immediately applicable knowledge. For the faculty member to be fresh in his/her research and classroom presentation, s/he must continually review relevant literature.

### **A Recommended Method To Reduce The Conflict And Ethical Dilemma.**

If one accepts that the main goal is to transfer knowledge to students that will prepare them to meet the needs of their employers in the near term, one must make choices as to which literature to monitor and advance. Time could be more efficiently, and some might say more ethically, spent keeping current in the less academically 'leading edge' but more immediately applicable 'popular' business literature. This area of literature deals with real world activities and issues that most students are going to find more immediately relevant and applicable in their work environment. Most undergraduate and masters students are going to be applying what they learn in the university classroom in entry and middle level supervisory and managerial positions in the relevant near future rather than in chief-executive positions. It may be more immediately relevant and useful to the students' career path to teach them how to apply the theories that are generally accepted in a discipline than the latest discussions of academics trying to refine these theories.

To close the ethical gap between the promotional claims used to attract students and employers, and the implied emphasis found in retention and promotion guidelines, business schools and universities should consider modifying the way the model for faculty rewards is implemented. To facilitate this, a faculty member's research, writing, and publishing should be aimed at developing coherent, organized information related to currently relevant topics in 'popular' business literature that will be useful to students and employers now or in the near future. Also of importance is research into what really constitutes 'effective' teaching including keeping student interest and increasing student knowledge and useful skills.

For retention and promotion, an increase in rewards related to publishing in more 'practitioner' oriented outlets could help reduce the conflict between the perceived divergence of goals. Publication outlets targeted by 'teaching' focused faculty should include venues concerned with learning enhancing activities and related research. All too often, the greater the prestige a journal enjoys, the less relevant and understandable the included articles are to current undergraduate students and business practitioners. These are generally the same journals that are the most career enhancing in which to publish. There is a several year time lag before new theories can be developed to a sufficient level of general

acceptance to be included in textbooks. Classes should combine theories presented in textbooks with links to current issues and events in the subject area. Also of use to integrate knowledge into imminently usable form are simulations and other experiential exercises. These contribute to training students to be able, on their own, to continually acquire new knowledge and skills and the understanding of how to apply those skills to current tasks.

Increased service to the community for teaching focused faculty should include some of the following areas: 1. Participation in local off-campus civic or business organizations. 2. Consulting with local businesses through university - business development center using students and relevant student organizations to help them gain experience and skills related to knowledge acquired in the classroom. 3. Recruit and coordinate internships for students with local businesses to benefit both students, businesses, and the reputation of the university. 4. Organize ongoing interchange of speakers from faculty and business at forums of common interest. Including students as participants and

contributors. Also of importance of job placement and advancement for students throughout their careers is a strong alumni network base that is managed by the faculty and staff. Increase the integration and involvement of teaching oriented faculty with the business and civic community leads to better job placement for students as well as increased availability of business and civic community expertise to students through the classroom.

This preliminary discussion indicates the existence of several important problems in how we currently recruit and educate undergraduate and masters level business students as well as how we currently train, recruit, and reward higher education faculty. Perhaps there is a need for some important alterations in both the structure and content of graduate and undergraduate education. While this altered implementation of the faculty rewards model may not completely eliminate the perceived deviations between the advertised focus of the university and the focus implied in the reward structure for the faculty, it can contribute to its reduction at 'teaching oriented' institutions.

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# ASSESSING STUDENT SATISFACTION: AN APPROACH TO HELP IN THE DEVELOPMENT OF MARKETING STRATEGY FOR A UNIVERSITY

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## ABSTRACT

*Concerns are being voiced in the marketing literature regarding conceptual, methodological, and practical issues of measuring consumer satisfaction. This paper addresses the practical usefulness of a multiple-item weighted composite satisfaction score to universities. The results of this study suggest that a multiple-item satisfaction scale has significant diagnostic value for strategic decision making.*

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## INTRODUCTION

As many universities plan for the twenty-first century, numerous challenges are emerging. Declining enrollments, increased competition, and a general public demanding more accountability of tax dollars are seemingly some of the more pressing issues of most universities today. Given these challenges, universities are becoming increasingly aware of the importance of student satisfaction. In order to be successful, universities must attract and retain quality students through identifying and meeting student expectations.

The purpose of this article is to present an alternative approach to measuring student overall satisfaction. Market researchers have commonly used a single-item rating scale to assess overall satisfaction. This approach, however, fails to recognize the student's varying degree of satisfaction with each service or educational attribute. A multiple-item weighted gap score analysis is presented as an alternative method for assessing student satisfaction that should have increased diagnostic value to both academicians and practitioners.

## REVIEW OF THE LITERATURE

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. Keillor, Bush and Bush (1995) suggest that successful student recruitment should be viewed as four basic stages. The stages are 1) attraction, 2) evaluation, 3) retention, and 4) met expectations. A common theme among these four stages

is that perceived quality of the educational experience is fundamentally important to the attraction and retention of students. Complicating this process, however, is the assumption that attracting students involves a separate set of issues than retaining them. It is important to realize, however, that different target audiences may value different dimensions of a university's product. For example, parents may emphasize academic experiences, while students may emphasize social experiences available on campus.

## Student Satisfaction

Universities have exhibited their commitment to student satisfaction through mission statements, goals/objectives, marketing strategies, and promotional themes. Peterson and Wilson (1992) argue that "virtually all company activities, programs, and policies should be evaluated in terms of their contribution to satisfying customers." Understanding the consequences of student satisfaction has been a concern of marketing researchers and practitioners for many years. The concern is derived from the generally accepted philosophy that for an organization to be successful it must satisfy customers. Patterson, Johnson, and Spreng (1997) demonstrate empirically a very strong link between customer satisfaction and repurchase intentions. Student retention is seemingly related to student satisfaction. Students who are dissatisfied with their educational experience are the ones that do not return to college. Student learning cannot occur if the student is not in college. Therefore, retention of a student is a critical step in the student's continual learning process.

The relative costs of customer retention and

customer acquisition have enhanced the desire to build and maintain long term relationships with customers. 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). For many firms, customer retention is an avenue through which a competitive advantage can be gained. Successful universities have come to realize that it is better to invest now (retain students) than to invest later (attract new students).

### Measuring Student Satisfaction

Student satisfaction evaluation is typically based on a cognitive process in which students compare their prior expectations of their educational experience to those actually experienced from attending a university. Student satisfaction results when actual performance meets or exceeds the consumer's expectations (Zeithmal, Berry and Parasuraman 1993). Likewise, if expectations exceed actual performance, dissatisfaction will result.

Even though the importance of student satisfaction has been widely recognized, most overall student satisfaction measurements are designed to simply assess the global or net satisfaction. Despite the apparent complexity of the student satisfaction construct, researchers have often used a single-item rating scale of four to seven points between the extremes of "very dissatisfied" and "very satisfied." The weakness of this approach is that it fails to recognize the quality attributes of an educational experience, as well as the student's varying degree of satisfaction with each attribute. Vavra (1997) argues that many practitioners prefer a composite measure because it is more statistically reliable than any single measure.

Universities can continuously update information about changing perceptions and expectations of students. Weighted importance ratings should enable universities to set priorities. These priorities seemingly would help determine where to allocate limited resources effectively and how to make concerted efforts on the attributes considered important by students. The alternative approach to assessing student satisfaction proposed in this paper does consider weighted importance ratings of attributes related to a student's educational experience.

### ALTERNATIVE APPROACH TO MEASURING A STUDENT'S OVERALL SATISFACTION

Recognizing the drawbacks associated with the traditional approach of measuring student satisfaction,

which simply relies on a single-item measurement of overall satisfaction, an alternative approach is presented. The proposed approach utilizes multiple education attributes and students' varying degree of satisfaction with each attribute. Each student's overall satisfaction is determined by a weighted average of the gap between a student's expectation of performance (importance rating) and actual experience (performance rating) for each educational attribute, and the relative importance of each educational attribute as perceived by the total student group. A description of the proposed approach is presented below.

The following notations are presented for the purpose of illustrating the measurement of overall student satisfaction.

$I_{ij}$  = Importance rating of the  $i$ -th attribute by the  $j$ -th student (expectations score).

$A_{ij}$  = Actual quality rating of the  $i$ -th attribute by the  $j$ -th student (performance perception score).

$G_{ij} = I_{ij} - A_{ij}$ , the rating gap of the  $i$ -th attribute by the  $j$ -th student.

$W_i$  = Weight (relative importance) of the  $i$ -th attribute.

$OS_j = \sum W_i G_{ij}$ , overall satisfaction score of the  $j$ -th student.

$I_{ij}$  reflects each individual student's personal expectations, and preferences with regard to education attributes. Importance ratings should vary across students as each brings with them differences in expectations of what their educational experience should be.

$A_{ij}$  represents the degree of satisfaction with each educational experience attribute and is based on the actual service received and experienced by students.  $A_{ij}$  can be measured in many different situations and the findings will likely be different depending on the particular situation. This study used a post-experience assessment of educational experience satisfaction.

$G_{ij}$  indicates a gap between the importance rating and actual performance rating assessed by student  $j$  for education attribute  $i$ . If the amount of actual service performance received meets or exceeds expected service performance, then student satisfaction results with respect to attribute  $i$ . If the amount of actual service provided is less than expected service, the result is student dissatisfaction with regard to attribute  $i$ .

$W_i$  is computed by recognizing diversified student perceptions and expectations. Its main purpose is to

determine the relative importance of education attributes that influence student satisfaction.  $W_i$  is determined by calculating the sum of each rating for education attribute  $i$  and then dividing the sum by the total points of all attributes. It reflects an overall viewpoint of all students surveyed on a certain attribute  $i$ .

$OS_j$  is the overall satisfaction score for the  $j$  student, and is computed using a composite measure of weighted gap scores for all expectation scores and all performance perception scores across each student. A negative  $OS_j$  would indicate favorable satisfaction towards a student's educational experience, while a positive  $OS_j$  would suggest that student  $j$  is dissatisfied with his/her educational experience. If  $OS_j$  is = 0, this may indicate that the education experience simply meets the student's overall expectations.

Based on this analysis, one could classify students into various groups according to their overall satisfaction score ( $OS_j$ ). If, for example, three groups of student satisfaction are preferred, students may be classified as follows: Group 1 = students whose  $OS_j$  are negative (satisfied), Group 2 = students whose  $OS_j$  are = 0 (neutral), and Group 3 = students whose  $OS_j$  are positive (dissatisfied).

## METHODOLOGY

### Questionnaire

The survey instrument used was the *Student Satisfaction Inventory*<sup>TM</sup> distributed by USA Group Noel-Levitz<sup>TM</sup>. The questionnaire consists of 116 items that cover a full range of college experiences as well as demographic characteristics of respondents. The items are Likert-type statements that assess perceived importance and satisfaction on a seven-point scale ranging from (1) "Not Important At All" or "Not Satisfied At All" to (7) "Very Important" or "Very Satisfied."

The *Student Satisfaction Inventory*<sup>TM</sup> assesses levels of both importance and satisfaction along the following scales: 1) academic advising effectiveness, 2) campus climate, 3) campus life, 4) campus support services, 5) concern for the individual, 6) instructional effectiveness, 7) recruitment and financial aid effectiveness, 8) registration effectiveness, 9) campus safety and security, 10) service excellence, and 11) student centeredness.

The *Student Satisfaction Inventory*<sup>TM</sup> 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 administered. Students were surveyed in class during regular class times. An effort was made to select classes that would result in a representative sampling of the student body on campus.

### Data Analysis Technique

Each student's overall satisfaction is determined by a weighted average of the gap between a student's expectation of performance (importance rating) and actual experience (performance rating) for each educational attribute, and the relative importance of each educational attribute as perceived by the total student group. For the example described in this paper, only the top 20 perceived important educational attributes are used with a sample of two students.

## RESULTS

For ease of explanation, only 20 of the 83 educational attributes are used with two students. Student A's level of overall satisfaction is determined by computing a composite score of weighted importance scores and gap scores (importance - actual scores). As shown in Table 1, the weighted importance score for attribute 1 (valuable course content) was .047. This value is then multiplied by the gap score (importance score of 6 - actual score of 7 = -1). This process is then repeated for the other 19 education attributes, with an overall satisfaction score being computed for Student A by summing the 20 individual education attribute scores. Student A's overall satisfaction score of 3.68 indicates that his/her perceived performance scores (actual scores) does not meet or exceed expectations (importance scores) regarding his/her educational experience. Student A would be considered a "dissatisfied student." Student B's overall satisfaction score of -.77 indicates that perceived performance exceeded expectations. Student B would be considered a "satisfied student."

TABLE I  
COMPUTATION OF STUDENT SATISFACTION

Top 20 Important Educational Attributes	Importance (I <sub>ij</sub> )		Weight (W <sub>i</sub> )	Actual (A <sub>ij</sub> )		Gap G <sub>(ij)</sub>	
	A	B		A	B	A	B
1. Valuable Course Content	6	5	.047	7	5	-1	0
2. Registration Process	7	7	.060	7	7	0	0
3. Instruction In Major	7	3	.043	6	5	1	-2
4. Able To Get Classes	7	3	.043	3	7	4	-4
5. Placement Rate Of Major	7	7	.060	1	5	6	2
6. Knowledgeable Advisor	7	4	.047	6	6	1	-2
7. Knowledgeable Faculty	7	3	.043	5	6	2	-3
8. Graduation Time Frame	7	6	.056	2	6	5	0
9. Overall Instruction	7	3	.043	3	5	4	-2
10. Tuition Paid	7	7	.060	1	5	6	2
11. Approachable Advisor	7	7	.060	4	7	3	0
12. Safe and Secure Campus	7	3	.043	1	6	6	-3
13. Major Requirements	7	6	.056	1	6	6	0
14. Available Advisor	7	6	.056	2	5	5	1
15. Variety Of Classes	7	4	.047	3	6	4	-2
16. Adequate Computer Labs	7	2	.039	2	6	5	-4
17. Fair and Unbiased Faculty	7	4	.047	3	4	4	0
18. Faculty Availability	7	2	.039	3	4	4	-2
19. Access To Information	7	7	.060	3	7	4	0
20. Intellectual Growth	7	4	.047	3	5	4	-1

Note:

a. For simplicity, the above table assumes a student base of two (Student A & B).

$$b. W_i = \frac{(6 + 5)}{(6 + 7 + \dots + 7 + 7) + (7 + 3 + \dots + 7 + 7)} = \frac{11}{232} = .048$$

c. Overall satisfaction for Student A would be:

$$\text{Student A} = (.047)(-1) + (.060)(0) + (.043)(1) + (.043)(4) + (.060)(6) + (.047)(1) + (.043)(2) + (.056)(5) + (.043)(4) + (.060)(6) + (.060)(3) + (.043)(6) + (.056)(6) + (.056)(5) + (.047)(4) + (.039)(5) + (.047)(4) + (.039)(4) + (.060)(4) + (.047)(4) = 3.68$$

Student A would be a "dissatisfied student" (Group 3).

d. Overall satisfaction for Student B would be:

$$\text{Student B} = (.047)(0) + (.060)(0) + (.043)(-2) + (.043)(-4) + (.060)(2) + (.047)(-2) + (.043)(-3) + (.056)(0) + (.043)(-2) + (.060)(2) + (.060)(0) + (.043)(-3) + (.056)(0) + (.056)(1) + (.047)(-2) + (.039)(-4) + (.047)(0) + (.039)(-2) + (.060)(0) + (.047)(-1) = -.77$$

Student B would be a "satisfied student" (Group 1)

### CONCLUSIONS

A composite student satisfaction score which incorporates multiple items (i.e., satisfaction scores of individual educational attributes) would appear to have more diagnostic value for strategic decision-making. First, the composite student satisfaction score may be a more accurate reflection of the overall satisfaction a student has regarding his/her educational experience. A student may not thoroughly reflect upon

his/her previous responses within a questionnaire regarding satisfaction of individual educational attributes when asked to assess his/her overall satisfaction on a single-item satisfaction scale at the end of the questionnaire. This may be due in part to the numerous individual questions just answered, thus making it difficult to remember all responses. Another explanation might be that students just reflect upon their most recent answers (i.e., previous three or four questions) when responding to a final overall satisfaction question.



Second, the single-item satisfaction score will not indicate "why" the student is satisfied or dissatisfied. A student's level of satisfaction/dissatisfaction may be a function of a single dimension/attribute of his/her educational experience. For example, advising may be the primary reason why a student indicates a high level of dissatisfaction with a university. All other expectations the student had regarding his/her educational experience may have at least been met and did not significantly impact perceived satisfaction.

From a strategic marketing perspective, this information is important to know. The multiple-item

satisfaction score would allow additional analysis that could pinpoint that advising is consistently impacting overall student satisfaction. The single-item satisfaction score would not permit this type of analysis. Given the increasing importance of the marketing of professional services, additional research is needed to assess the practical issues related to the measurement of student satisfaction. The debate will obviously continue regarding conceptual, measurement, and practical value issues related to measuring customer/student satisfaction. It is hoped that this article will be helpful in addressing the practical value issues.

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# ADVERTISING SLOGANS AND UNIVERSITY MARKETING: AN EXPLORATORY STUDY OF BRAND-FIT AND COGNITION IN HIGHER EDUCATION

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## ABSTRACT

*It is not uncommon for universities to develop and market their advertising slogan. This study examines institutional advertising slogans, and empirically tests the cognitive component of brand-fit. Findings are indicative of a relationship between cognition and university advertising slogans. Implications for university communications and marketing strategies are discussed.*

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## INTRODUCTION

Whether you identify students as consumers in a buyers' market (Wyckoff 1998) or evaluate the effects of general advertising slogans (Mathur and Mathur 1995), the goal in higher education when creating an advertising slogan is to be attractive, reflective, and distinctive. This strategy is not unlike that used in business. Research suggests that the transferring of marketing concepts in business to the marketing of universities is both common and practical (Sherr and Lozier 1991; Kotler and Fox 1985). Therefore, the primary goal of universities in developing advertising slogans is matching an institution's philosophy and culture with the potential student-customer.

## HISTORY

It is not uncommon for universities to develop and market their "brand." After all, some consider image to be everything. Sevier (1994) stated that in today's economy an institution's reputation is more important than ever before. Sevier further asserts that every mention of your college or university is an investment in its future. Consequently, advertising slogans take on a more important role. Advertising slogans can appear on products (Suggs 1998), drive an advertising and marketing campaign (Marketing News 1997), or facilitate a change in identity (DeMarco 1997). Professional newsletters even list tips on developing a successful university marketing campaign using prioritized messages and slogans that work (Applications

1997). Hence, if a university decides to employ a slogan or tag-line, it is implicitly assumed that the institution knows a great deal about its student-customer.

## DEVELOPMENT OF RESEARCH

Speer (1995) stated that when you judge the mind set of a customer (i.e., student) correctly, the result can be a perfect match. Speer further reflected that one should pay attention to the customer cues and market services or goods accordingly. This conceptually is brand-fit. However, Dube et al. (1996) cautioned that there is little support for the expected match between advertising (i.e., University slogan) and customer (i.e., Student) attitude base. Furthermore, McDonald (1997) pointed out that although short-term benefits may occur as a result of marketing an advertising campaign (i.e., University slogan), factors are peculiar to each brand. For that reason, a hastily conceived marketing strategy derived from an untested university slogan or tag-line may not be the best long-term decision.

Many researchers have noted the turbulent internal changes taking place within the university environment (Evans et al. 1998; Seymour and Associates 1996; Hammer and Champy 1993; Webster 1992; and Handy 1990) over the last several years. Compare this to 30 years ago when universities were arguably the most pampered institutions on earth (The Economist 1993). Add to this the advent of university marketing strategies aimed at increasing enrollments (Speer 1996) while acknowledging the decline of college-age students

(Wyckoff 1998). By and large, the emergence of a university slogan or tag-line is the by-product of a marketing strategy designed to improve or maintain brand-fit. However, research examining advertising slogans and tag-lines generally focuses on advertising recall (Mathur & Mathur 1995) without specifically focusing on brand-fit.

## PURPOSE

The purpose of this research is twofold. First, to qualitatively examine institutional slogans and tag-lines used in higher education; and second, to empirically test the cognitive component of brand-fit. A tag-line operationally defined for this research is conceptually equivalent to a slogan, motto statement, saying, credo, catch-phrase, axiom, or operating philosophy that is in use within and beyond the university's walls. An implicit research assumption was that the ACT score, as provided by The American College Testing Program (1997), reflects the cognitive ability of students in terms of potential college achievement. This is not a unique premise, for institutions of higher learning both admit and distribute financial aid according to a student's demonstrated ability to benefit and achieve in college (Callaway 1997).

## METHODOLOGY

In Part 1, a selected population (N = 1000) of colleges and universities was placed in a pool and sorted according to ACT "selectivity range." Selectivity range was operationally defined in three levels: highly competitive, competitive, and less competitive. Later, a sample of three hundred (n = 300) colleges and universities was randomly selected and interviewed by electronic mail from each selectivity range. The initial communication read:

"An investigation is underway examining university tag-lines, slogans, motto statements, sayings, credos, catch-phrases, axioms, and operating philosophies."

A brief introduction, background, and example were offered for clarification. The questionnaire was opened, requesting both their slogan or tag-line and comments. For triangulation purposes, multiple sources were randomly contacted within each university (i.e., admissions, alumni and faculty). One general hypothesis (GH) was investigated.

GH1: There will be a varying degree of advertising slogan or tag-line usage across university systems.

In Part 2, responses from Part 1 were categorized using a traditional qualitative approach involving conceptual clustering. Once a professional theme emerged, one hypothesis was examined. The population involved one hundred five (n = 105) potential student-customers attending a college career workshop. Participants were administered the following survey question after a brief introduction and tag-line definition:

"What influences you more in making your choice to attend a university — is it the tag-line, or university name?"

The questionnaire had a section for comments. No identification, other than the student-customer's ACT score was requested. Testing of the second general hypothesis (GH2) ensued.

GH2: Can a student's cognitive level, as measured by the predictor variable ACT score, discriminate between a preference for a slogan or institutional name with respect to college selection?

## FINDINGS

Part 1 of this study addressed representatives from admissions, alumni, and faculty and their qualitative perceptions of university slogans. Overall, one hundred and eighty (n = 180) university systems participated. Participation was documented if an official response (i.e., electronic mail) occurred. The sample size was representative with a 95% confidence level (see Newman, 1976). Clustered findings of administrative and faculty responses are in Table 1; emerging professional themes are in Table 2.

Part 2 of this research focused on the student-customer perception of advertising slogans. Specifically, the second general hypothesis (GH2) under investigation tested if a student's cognitive level, as measured by the predictor variable ACT score, could account for a significant amount of variance when discriminating

**Table 1**

<b>Administrators', Staff and Faculty Comments Concerning Their University Slogan</b>		
<b>Comment</b>	<b>Number of Responses</b>	<b>Percentage</b>
Embarrassed	93	52%
Reflective	72	40%
Never Use	36	20%
Use School Name	27	15%
Don't Have	23	12%
In Process of Changing	22	12%
In Process of Developing	20	11%
Use Something Else	17	9%
Effective	07	03%
Use School Mascot	04	02%

**Note.** The number of responses and percentages incorporate "double counting." For example, a university may not have a slogan but is in the process of developing one; therefore, a double response would be recorded. The number of responses and percentages were based on 180 participating universities.

**Table 2**

<b>Emerging Professional Themes</b>		
<b>University Comment Cluster</b>	<b>Selectivity Range</b>	<b>Criterion Group</b>
Cluster 1	Highly Competitive	
Don't Have; Never Use; or Only Use School Name	28 - 33 ACT Score	No Slogan <i>Distinctive</i>
Cluster 2	Competitive	
Embarrassed; Changing; Developing and Reflective	22 - 27 ACT Score	Slogan Used <i>Reflective</i>
Cluster 3	Less Competitive	
Effective and Reflective	13 - 21 ACT Score	Slogan Used <i>Attractive</i>

**Note.** ACT Range reflects university selectivity at 85% confidence level.

**Table 3**

**GH2: Summary Table**

H<sub>2</sub>: Can a student's cognitive level, as measured by the predictor variable ACT score, discriminate between a preference for a slogan or institutional name with respect to college selection?

Hypothesis	R Square	DF	Alpha	F	p	Significance
GH2	.14	1/103	.05	17.7	.0001	S

**Note.** Predictive regression equation discriminating between a student-customer preference for the University Name (code = 1) or Slogan (code = 0) is: Criterion =  $-.67 + (.05) * (\text{ACT Score})$ .

**Table 4**

**Value Discipline and University Characteristics**

University	Product Leader	Customer Intimacy
<i>Defined As...</i>	Highly Competitive	Less Competitive
<i>Processes That...</i>	Demand research	Stress teaching
<i>Emphasis Is On...</i>	Academics	Social Acclimation
<i>Prominence Of...</i>	Professional development	Career Opportunity
<i>Renowned For...</i>	Academic reputation	Enjoyable Experience
<i>Importance Of...</i>	Library Resources	Financial Aid
<i>Bottom Line...</i>	<b>No reliance on slogan</b>	<b>Reliance on slogan</b>

**Note.** Table information was categorized according to known university profiles or when sorting professional comments.

between a student-customer preference for a slogan or institutional name over and above chance. Significance was found in GH2 (see Table 3).

**DISCUSSION**

When examining the qualitative findings of university professionals, four findings emerged beyond the conceptual development in hypothesis testing. First, there is a natural break which occurs with respect to advertising slogan usage. For practical purposes, universities that are "highly-competitive" (i.e., average ACT score above 28) have minimal use or do not use a slogan. Instead, the preference for highly competitive universities appears to be the institutional name. Second, many professionals at "competitive" universities appear to be embarrassed by either the use of, or content expressed within the slogan. For example, electronic messages would begin with an apologetic statement or openly assert that they were sorry to report, but X, Y, or

Z ... is our slogan. Several professionals even reported that, "yes, we do use a slogan, but we write it in Latin." Third, although some university representatives were embarrassed by slogans, others were actively hiring marketing firms or consultants to develop and implement a marketing campaign. A genuine desire to "get the message out" was expressed. Fourth, "less competitive" universities viewed their advertising slogan as both effective and reflective. Ironically, no professional comment in the less competitive university was classified as "embarrassed." Less competitive universities appeared to know both their student-customer and self to a greater extent than universities classified as competitive or highly competitive.

In hypothesis testing, this study found that there was a cognitive component in slogans for student-customers. When applying a statistically derived formula, the regression equation predicts that student-customers with an ACT score of 24 or above have a preference for the

university name, over and above the slogan. Conversely, student-customers below the 24 ACT score breakpoint have a preference for the advertising slogan, over and above the university name. Hence, becoming that "best qualified nurse in the country" or "come to a place where we meet your needs first," has more relative impact than the "University of X, Y, Z."

### IMPLICATIONS

Although one could argue that the overlap between the advertising slogan and the university name is considerable, one cannot dispute that there may be a considerable difference in developing a strategic marketing plan. Brand-fit remains brand-fit, and knowing your student-customer in terms of product attraction is paramount. Therefore, it makes practical and marketing sense to stress brand-fit in terms of cognition. After all, college and learning should be synonymous; therefore, advertising slogan development should include or recognize the cognitive relationship. Likewise, if a university plans to adjust its admission standards to reflect a new vision, then modify or eliminate the advertising slogan accordingly.

Universities may consider a merging of Porter's (1996) concepts of positioning, trade offs, and fit with Treacy and Wiersema's (1995) concepts of product leadership and customer intimacy value disciplines. Simply stated, a university must select one value discipline and then shape every subsequent plan and decision accordingly, coloring the entire organization, from its competencies to its culture. Table 4 illustrates a strategy that can derive from the choice of a specific value discipline.

### PROBLEMS

There are two problems that should be recognized in this study. First, many professionals, when contacted by electronic mail, expressed a lack of awareness of an official university slogan. This finding in and of itself is reflective of the need for internal marketing. Some professionals stated that they believe some departments may have a slogan, but they really did not feel that the institution promoted one. Second, when surveying the group of potential student-customers, most of the questionnaires were filled out in small collective groups. Therefore, the presence or existence of group pressure may have influenced the recorded responses. However, this circumstance may as easily reflect the impact of peer influence on college choice.

### CONCLUSION AND RECOMMENDATIONS

This study both qualitatively demonstrated and statistically acknowledged the relationship between cognition and university advertising slogans. For that reason, a university decision to employ or not to employ a slogan could be justified if brand-fit and cognition are merged. Future research may consider the internal marketing or organizational structures that would need to be put in place if a slogan were to be developed and fully marketed. A factor analytic solution could compartmentalize student-customer needs and preferences in terms of brand-fit. The key features and outcomes of this market research would be to establish some active guidelines for advertising slogan development and the overall, evolutionary marketing strategy for the institution.

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# Some Thoughts About E-Mail: Friend or Foe to Marketing Managers?

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## ABSTRACT

*When an organization embraces a computer e-mail system to perhaps too great an extent, and without considering all aspects of the change, it may bring about unexpected negative consequences for organizational communication, primarily due to the human nature of e-mail users rather than to design flaws in the system itself.*

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## INTRODUCTION

Managers, and especially marketing managers, instinctively know how important communication is to them and to an organization, whether that communication is with other members of the organization, with current or prospective customers, or with other external constituencies. In fact, communication could well be considered as the very essence of managing since most of what managers actually do is to communicate, whether that be with colleagues, customers, or even competitors, and managers spend anywhere from 60 to 80 percent of their time doing it. (Luthans 1986, p. 162)

Prior to the invention and implementation of computerized communication methods, almost all of that time was spent in face to face communication in meetings with individuals or groups, or on the telephone. Only about 10 to 15 percent of managers' time was spent in writing or reading. (Luthans 1986, p. 162) With the relatively recent advent of the computer as a communication vehicle, however, it is quite likely that those proportions are changing significantly. In the relatively short span of just over 10 years, computers have gone from being computational or monitoring tools, used by only a few individuals within an organization, to being pervasive objects in almost all organizations, even the very smallest.

Almost all marketing and management textbooks and articles which promote computers and electronic mail as a means of improving the effectiveness and efficiency of communication in an organization will invariably dwell only on the positive elements of this technology and its capabilities, and on the steps to take when putting such a system into place. Never a discouraging word will be mentioned about the possible negative aspects of e-mail. The purpose of this paper is to call attention to some of

the potentially negative aspects which may occur when an organization rushes into the implementation of a computer e-mail system without giving sufficient thought to how, and how extensively, that system is likely to alter the way the members of the organization communicate with each other.

Just like newlyweds on a honeymoon, the ardent proponents of e-mail seem to be still so enamored of its truly magical and wondrous features that they are not yet willing to bring themselves to recognize some its inherent dangers. Yet any good parent would counsel a child who was contemplating marriage to be sure to understand that the prospective bride or groom indeed may possess several sterling qualities, but there just might be some weaknesses present as well. But these weaknesses, if they have been viewed objectively and determined not to be fatal flaws, should not prevent going ahead with the marriage. If the years ahead are to be happy ones, however, when those flaws do appear, it should be remembered that they were always part of the initial package.

So what are these inherent flaws, and how significant are they? They are factors which stem from the limitations as well as the capabilities of computer e-mail as a management tool. Any observant manager who has lived with e-mail for any length of time should have encountered, or foreseen, the factors that are inherent in, and which could spell trouble for, any organization which uses an e-mail system extensively. Interestingly, and in reality, the danger in these factors actually stems more from our own human nature rather than from the characteristics of the equipment itself.

When any new technological breakthrough, whether it is high- or low-tech, wends its way into the operations of an organization, if that technology has substantial



utility for its users, it will soon become a mainstay within that organization. A perfect example of a very low-tech breakthrough, and its utilization in an organization, would be the Post-It note. This supremely simple device, yet so multi-faceted in its uses, is also supremely addictive. Typically, by the time someone has gone through the first packet of these notes, the unsuspecting individual cannot any longer carry out many duties of the job without these notes. In short, they have become an indispensable tool. An example somewhat higher on the high-tech scale is the electronic calculator. Many people, including scientists and engineers, have become so dependent on it that they are no longer able to do simple arithmetic computations with just pencil and paper, let alone in their heads. Finally, at the very top of the technology evolution scale sits the computer. Because of the remarkable and rapid increases in the computer's capability to create and process information, it is now arguably the primary communication tool for most managers, surpassing even the telephone.

What, then, are the inherent dangers in the increasing dependence on this new communication tool that managers should be aware of and guard against? The foremost danger is that of inadvertently allowing the organization to become overly reliant on e-mail. In many organizations, managers have allowed e-mail to become far and away the primary organizational communication tool, with nothing in second place, and regular postal mail (derisively termed "snail mail" by e-mail's most ardent devotees) perhaps a distant third. This over-reliance can have possibly disastrous results in the event of a sustained breakdown in the system. If a substantial amount of essential information is being provided through the e-mail mechanism on a continuing basis, the lack of any fall-back process or procedure for this essential communication in the event of an e-mail failure is really evidence of management's failure in its responsibility to do proper contingency planning.

As an interesting sidelight on human nature, it is quite easy for us to imagine a situation in which a marketing manager sends an e-mail notice to the sales force about the upcoming company picnic, and includes in the message information about what to do in the event of rain. Yet it is quite likely that that same manager has not have given a minute's thought to what the company would do if the e-mail system ever went down for an extended period. What should be but somehow isn't surprising to us is that, in spite of the occasional yet very noticeable and highly disruptive failures in satellite or telephonic communication systems in recent years, many managers still have not developed any sort of even informal alternatives to e-mail communications.

A second but perhaps even more insidious danger stemming from an overreliance on e-mail is that, over time, it absolutely will change the nature of how people interact within an organization, and not necessarily for the better. Organizations are likely to see a continuing decrease in personal interaction when e-mail is implemented and used extensively. People who work in the same building, or even on the same floor in that building, and would normally talk to each other in person or by telephone, will do so much less often after e-mail is installed. Instead, and somewhat insidiously, there is a false sense of increased communication because each member of the organization can send, instantly, a message to any other member of the organization, or even to all members at the same time. At Lyrrus, Inc., a California company that makes a computer accessory device and sells it from a nationwide office network, one employee said, "We have one big office with a roof 3,000 miles long." (Detwiler 1997)

Whether the communicative capability of e-mail is, on balance, a positive step forward in organizational communications is still to be determined. And it is unclear how the members of any single organization in which e-mail dominates as a communication method will view the changes that inevitably will occur in its communication channels and patterns. Since we are still in the early stages of the e-mail phenomenon, its long-term effects have yet to be studied to a significant extent by the organizational behaviorists. However, the most likely consequences were clearly articulated by Van Fleet in 1991. He said,

"The long-term effects of these rapid changes in information processing and communication technologies will not be known for some time.

...

However, such changes inevitably disrupt the established social and political relationships in an organization and may affect the way people interact.

Because employees no longer have the need to wander down the hall to ask a friend a question, they may not establish the kinds of trust and friendship bonds that such casual meetings have traditionally fostered." (p. 231)

There are also corollary dangers in e-mail's capability to send out mass internal mailings. One is that people will send them, and at an increasing rate over time. The result is often that an increasing number of individuals in the organization, especially after having been away for a few days, may develop a feeling of dread

about returning to the office and finding anywhere from 20 to 200 junk e-mail messages waiting.

There is likely to be a much more subtle change in the organizational culture as well. As with telephone voice-mail messages, another danger inherent in the ability to send information on a widespread basis by e-mail is that the burden of ensuring that important messages are received is now perceived to be shifted from the sender to the receiver. In the past when trying to reach someone by telephone, if the line was busy or no one answered, the expectation was that the caller had to try again at a later time. This is no longer true with the advent of e-mail or voice-mail messages. The recipient is now the one burdened with the expectation to be diligent in frequently checking for the possible receipt of such messages, and then respond promptly to the senders.

If all the musings and perceptions described above actually represent a correct view of the situation, then what should a capable, forward-thinking marketing manager consider doing about it?

One very important step would be for the manager to recognize when these occurrences have begun to occur to such an extent that corrective measures are needed. The actions to be taken would then depend on factors such as the type, purpose, and size of the organization. However, any manager in an organization which has embraced e-mail to perhaps too great a degree should continually seek out ways to foster, and perhaps even force, personal

interaction to occur on a regular basis among members of the organization in order to counteract some of the deleterious effects of e-mail. The very nature of e-mail messages is such that they cannot convey many of the contextual clues that eye contact, tone of voice, and body language provide in a face-to-face conversation. Electronics cannot compensate for or replace these uniquely human qualities in communication.

Specific countermeasures which managers could employ depend on many factors applicable to the individual group or organization and its culture. Examples of such actions for an office or department could include periodic all-hands meetings, whether scheduled or randomly called, which should renew the members' sense of knowing each other. For larger groups, social settings such as that company picnic are normally welcome events. Committees or task forces can be formed from representative members of several sub-groups within the organization in order to wrestle with some common issue. This activity should forge new communication links across departmental boundaries.

The list of possible remedial activities is long, and limited only by the manager's ingenuity and the relevance of the actions. With luck, organizational theorists will soon come to the rescue with more prescriptive measures. Until then, it is important for managers to recognize that they must take these actions, and do so on a continuing basis, in order to compensate for the inevitable effects of e-mail.

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# SEASONAL SELLTHROUGH: AN IN-CLASS EXERCISE

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## ABSTRACT

*This paper describes an in-class interactive exercise to enable students to better understand the concept of seasonal sellthrough. The exercise explores the different goals and outcomes that are sought by store buyers and store operational personnel when dealing with seasonal product.*

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## INTRODUCTION

A recent review of a large number of retailing, retail management, retail strategy and retail buying textbooks and practical guides has come up with little mention of "seasonal sellthrough." Yet, in general merchandise stores (e.g., drug stores, dollar stores, and discount stores) much of the sales arise during the Christmas season and there are sales spikes for Valentines Day, Easter, Halloween and Thanksgiving (Wingate, Schaller & Miller 1972). In these stores the concept of seasonal sellthrough is planned, analyzed and discussed in great detail. For this reason, seasonal sellthrough is a topic that should be included in a course in retail buying or retail strategy.

"Seasonal sellthrough" is a percentage and is calculated as follows (Shuch 1988, p. 334):

$$\text{Seasonal Sellthrough percentage} = \frac{\text{Units of seasonal product sold before the end of the season}}{\text{Total number of units of seasonal product purchased}}$$

For example, if a store purchases 1,000 cases of Halloween candy and sells 900 cases prior to Halloween, the Halloween seasonal sellthrough is 90% (900 cases sold divided by 1,000 cases purchased). The remaining 100 cases or 10% is subject to the seasonal markdown that always occurs on the day after the day that closes the season.

Student understanding of the concept of seasonal sellthrough is very important because students have all seen leftover candy after Valentines Day and Halloween and leftover Christmas ornaments on the day after Christmas. They therefore have a clear visualization of the residual of seasonal sellthrough. Such a visualization is known to help in the learning process (Kirby 1988).

The problem of planning, merchandising, selling and marking down seasonal product are the same problems encountered with base stock and other product which does not have such a clear cut end of season. For example, at most stores Christmas ornaments will not sell for full price after Christmas but some short sleeved shirts may sell for full price in the fall and winter.

## PRELIMINARY DISCUSSION

A discussion of seasonal sellthrough can be useful in pointing out to students the different motivations and goals that can be held by buyers in the purchasing department in a retail organization and the store managers in the operations department. While modern organizational theory would suggest that all members of the retail organization have the same goals in mind (Luthans 1992), in fact, the goals of store managers and product buyers are somewhat different and their performance is usually measured by different guidelines (McEwan 1968). This is particularly true in the buying and merchandising of seasonal product and in the analysis of seasonal sellthrough.

Buyers are measured by how successful they are in selecting seasonal product that will be bought by their stores' customers (Shuch 1988). When a seasonal product does not meet the desires of customers, it will not sell at the targeted retail price. If low demand is noted early enough, the product will be marked down. Even though the targeted gross profit percentage will not be met buyer seasonal sellthrough goals might be obtained. Since many selling seasons are very short (e.g., Valentines Day), seasonal product often remains unsold at the end of the selling season (Allen 1984). Since most retailers maintain records of unsold product at the end of the season, the mistakes of the buyer are readily

identifiable.

As a result, buyers may tend to be conservative in their product selection. They will buy a large amount of products that sold well in the past but may select only a small amount of a new product, even if it offers high gross profit potential. Since the buyer's work is viewed positively when there is a high seasonal sellthrough percentage, such conservatism in product selection offers the best chance for the buyer's work to be favorably viewed by his superiors.

Unfortunately, this conservatism in seasonal buying may not be the best policy for the retail firm and its stores. If a buyer achieves a 100% seasonal sellthrough, it is quite likely that the individual retail stores will run out of a product for which there is a large customer demand. While the buyer may bask in his or her success as measured by the seasonal sellthrough percentage, the store managers must deal with empty shelves and dissatisfied customers (Wingate et al. 1972). It is this paradox that the following in-class exercise tries to capture.

### **PREPARATION FOR THE EXERCISE**

The discussion of seasonal sellthrough as noted above should be complete before the exercise is used in class. The exercise will take anywhere between 10 and 30 minutes depending on the size of the class and the interaction occurring during the exercise. The following props and student role playing responsibilities are needed for the exercise:

#### **A Seasonal Product**

A seasonal product of interest to students should be used. Part of the motivation to get the students involved is to allow the students to keep the products "purchased" after the exercise is complete. Candy is often a good choice for a number of reasons. Candy sales are very seasonal in nature and most students have experience of unsold, marked down seasonal candy in stores. Use of candy allows flexibility in the project. Valentines Day or Easter seasonal candy can be used in the Spring semester and Halloween seasonal candy can be used in the fall semester. Candy is inexpensive and seasonal candy is usually colorful and visually identifiable. Finally, most students like candy and are willing to "purchase" it during the exercise.

Enough product should be on hand so that every student is able to "purchase" the product during the

exercise. The product should be split into two equal quantities. The two quantities of candy will represent the buyer's original purchase and a possible subsequent purchase.

#### **Money**

To ensure all students are able to participate, they should all be given "money" to spend. Two possibilities exist. Either pennies can be used as "retail dollars" or a course specific "retail dollar" can be developed and printed. If this is the only planned in-class exercise, pennies are easiest to use. However, if similar exercises will be utilized during the course of the semester, printing of special course retail dollars is appropriate. Students may also find the exercise to be more fun if the denomination of the "retail dollar" is 99 cents.

Each student should be given three units of currency (retail dollars). The original price of the product will be set at two retail dollars. This enables every student to buy one unit if they desire to do so. The "extra" dollar is intentional. The students should be informed that whatever they buy with the retail dollars they get to keep. This works as a motivator for the students to spend their retail dollars.

#### **A Store Manager**

The professor needs to ask for a volunteer to be the store manager. The store manager will "sell" the product and will be asked questions regarding the progress of the sale.

#### **Customers**

All other students act as the customers in the exercise. They are typical of customers in a store setting in that they all enter the store environment with retail dollars to spend.

### **EXERCISE**

After a student has been designated as the store manager and the retail dollars have been distributed, the professor introduces himself or herself as the seasonal buyer for the store. The buyer informs the class that he or she is under tremendous pressure from the Vice President of Purchasing to have a very high ("100%, if possible") seasonal sellthrough for the current season. The buyer might mention that in the previous season, the sellthrough was very low resulting in a large amount of post seasonal markdowns as well as many pack aways which are

cluttering up the back rooms of the stores. Because of these problems the buyer explains that he or she has intentionally been conservative and has bought only a limited number of the seasonal product.

At this point, the buyer hands the first batch of the seasonal product to the store manager and informs the manager that the product is to be sold at two retail dollars. The buyer then steps aside (sits back at the home office) to see how well he or she has done. It should be noted that the amount of seasonal product at this time is intentionally limited. The learning goal of the exercise is best achieved if the store manager sells off the entire amount of the original "purchase" of the seasonal product. Since the customers have each been given three retail dollars they have sufficient money to buy the product at full retail. They can also pool their money to buy additional products at the full retail.

The store manager's job is to go around the classroom selling the product. It is important for the professor to stay out of this part of the exercise and let the store manager/customer dialogue and interplay flow naturally. The professor should listen to this interplay to identify topics for possible future discussion. Comments that have been heard in this portion of the exercise include "the price is too high", "I'll wait until it goes on sale", "I'll buy it the day after the season is over", and similar comments. Even though the students can effectively buy something for nothing, they will get into the spirit of the exercise and not all the customers will purchase the product (the strange vagaries of consumer behavior - another topic for discussion).

The exercise continues until the store manager sells out the seasonal product without meeting all the customers' demand or until the store manager has determined that no more of the product can be sold at the full retail price. Depending on whether the store manager sells out or whether he has remaining seasonal product determines the path that the exercise takes next.

#### **Expected Path - Product Sells Out at Store**

The maximum teaching benefit from the exercise occurs if the store manager sells out the product. To obtain a sell out, the amount of the first "order" of seasonal product should be about equal to one half the number of customers (students). There will be some customers who will not purchase the seasonal product either because they do not eat candy, they are not interested in cooperating in the exercise, because they are holding out for the product to be marked down, or they

purposely try to change the project to their own idea of what is to be discussed. It is for this last reason that the alternative path is provided.

When the store manager sells out of product, the buyer asks the manager what has happened. When the store manager responds that there is no more seasonal product, the buyer (professor) reacts with joy and writes on the board the seasonal sellthrough formula which will calculate to 100%. The buyer then asks the store manager if the manager is as pleased with the seasonal sales as is the buyer. It is expected that the store manager will not react as favorably. The store manager has unfilled demand and dissatisfied customers. The customers had been notified that there was seasonal product to buy, they wanted to buy the seasonal product, they were in the store, they had money to spend but they were victims of seasonal out of stocks. At this time, it should be clear to the student that the goal of the buyer in the seasonal buying scenario is not the same as the goal of the store manager. At this time, the buyer asks the store manager if the manager wants the buyer to obtain more seasonal product. It is expected that the store manager will say yes since there is unfilled demand.

#### **Phase II of Exercise**

At this point, the buyer brings out the remaining seasonal product griping all the while about how difficult it was to obtain seasonal product this late in the selling season. This is a good time to discuss the normal time lag between the buying of seasonal product and its delivery to the store. The buyer might also mention that a premium price may have to be paid by the chain if it buys additional seasonal product this late in the season. The buyer might also mention that many chains do not go out and buy more seasonal product but they balance the product between stores where the seasonal product is not selling well and stores which are selling out of the seasonal product.

The additional seasonal product is given to the store manager who again tries to sell it to his remaining customers at the full price of two retail dollars. This process continues until the store manager has filled all the demand and sold as much seasonal product as possible. When the store manager has sold all the product that can be sold at full price, the professor announces that the season is now over. The total amount of seasonal product that has been sold is determined and the revised seasonal sellthrough is calculated. Once again, the store manager is asked if he or she is happy with the situation. A mixed response is expected. The store manager will probably

express some pleasure that all of the demand for the seasonal product has been met. At the same time, the store manager might mention that there is unsold seasonal product that must be handled in some way.

At this time, the store manager and the class should be asked the options that the store manager has concerning the remaining seasonal product. These include seasonal markdowns and seasonal pack aways. The cost and the benefits of the various options should be discussed. To complete the exercise, the store manager should be given instructions from headquarters that a 50% post seasonal markdown has been placed on the seasonal product. The store manager will now attempt to sell the remaining product for a price of one retail dollar. It is expected that this will sell out the product. If it does not, an additional 50% markdown can be made and the remaining product can be sold at two units for one retail dollar. When all the products are sold, the store manager should be thanked and "paid" by giving the student store manager some of the product held out of the exercise. The customers should also be thanked for their assistance.

#### **Alternative Path - Product Does not Sell Out**

Even with an initial supply of seasonal product equal to only one half the number of customers, it is possible that the product will not sell out initially. If this happens, the professor must be flexible to reach the same teaching points as the planned exercise. When the store manager meets demand at the full retail price, the season should be declared over and the seasonal sellthrough percentage should be calculated. Since most of the original product bought will have been sold, the buyer should be reasonably happy even though the seasonal sellthrough was not equal to 100%. The store manager can also be expected to express pleasure because he or she has filled the customers' demand. The conservative buying program was a success.

Since there is unsold product the discussion regarding post seasonal options discussed above is appropriate. The remaining unsold product should be sold at the 50% discounted price to the customers. The reserve "second order" should be saved for another exercise. Again, the store manager should be thanked and "paid" and the customers thanked.

If the alternative scenario occurs, the customers should be asked why they did not buy the product at the full price. There may be the predictable consumer responses of "I don't like chocolate" or "I never buy that

brand" but what may also be heard is "I was waiting for the price to be reduced." A discussion can then be held on the risks (out of stocks) and the advantages (lower prices) of this consumer behavior and the problems (lower margins) this behavior causes for retailers and the strategies (promotions) retailers must take to sell seasonal product at full retail. Such "wait for bargain" behavior might also lead to discussion of automobile rebates and department store "sales" and the interaction of consumers and retailers.

#### **POST EXERCISE DISCUSSION**

After the exercise has been completed, a discussion should be held to summarize the exercise. The students should be asked "what seasonal sellthrough percentage should be targeted?" Specific percentages will probably be given but the discussion should lead to an answer of "as close to 100% as possible." The reason for this answer is that a less than 100% sellthrough ensures (assuming proper store to store merchandise balancing) that all full price customer demand has been met. The closer the seasonal sellthrough percentage is to 100% the less unsold product there will be to markdown or to pack away.

A discussion should lead to comments about the different goals related to sales of seasonal product held by the store manager and the buyers. Buyer performance is often measured by the seasonal sellthrough percentage obtained. Store managers, on the other hand, are concerned with having stocked shelves up to the last day of the season. Although store managers complain about seasonal pack aways and seasonal markdowns, they would rather have these than empty shelves on the big selling days right before Valentines Day, Easter, Halloween or Christmas.

The difficulties of seasonal buying should be discussed. The purchase of most seasonal products must be made at least six months before the season. This is due to domestic manufacturers demanding long lead times to schedule their processing and overseas manufacturers requiring a long shipping cycle. Once made, decisions on seasonal products are difficult to change. Often, bad choices cannot be canceled and good choices cannot be reordered. This is the reason such care and detail is taken in summarizing seasonal sales. Many students will be familiar with this through their employment at local retail stores.

A good follow up discussion to the exercise is a discussion of how seasonal sellthrough and seasonal

markdowns impact the store's gross margin percentage. Using the typical 50% post holiday markdown percentage, the impact on gross profit of a 100%, a 95% or other seasonal sellthrough percentages can be determined and related to previous discussions of gross margin and gross margin planning.

Finally, the seasonal merchandising concepts that have been addressed through the exercise should be expanded to non seasonal merchandise. The concepts are basically the same for all merchandise. The buyer must decide in advance what is to be bought based upon his or her knowledge of trends, consumer behavior and previous buying patterns. The store manager must obtain the product, promote it, and merchandise it to sell as much as possible at full price. When the product does not sell at full price, decisions must be made as to the disposition of the product. The only real difference in the

situation is the compression of the selling period into the four or five week season and the difficulty in obtaining additional product if an item sells more than originally planned.

### SUMMARY

This paper has described an in-class exercise that gets the students actively involved and focuses on the calculation of seasonal sellthrough while addressing many important points of the retailing of seasonal merchandise. It was developed for a "Buying of Merchandise" course and it points out the difference in goals between the buyer of seasonal merchandise and store operations personnel. However, the exercise could be used in any retailing class to review the marketing of seasonal product and the decisions regarding unsold seasonal product that must be made at the end of the season.

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# ASSESSING MARKET FACTORS USING THE WORLDWIDE WEB - A DISTANCE LEARNING PILOT STUDY OF AGRICULTURAL EQUIPMENT DEALERS

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## ABSTRACT

*The ability to assess market factors through the environmental scanning process used in strategic market plan development is a crucial skill for small business owners. This paper reviews the development and delivery of a distance learning course module to a pilot study group of agricultural equipment dealers.*

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## INTRODUCTION

Innovations in computer and multi-media technologies, particularly improved access to the Internet, are fostering a revolution in the remote-site delivery of educational information and training materials. Distance delivery methodologies may be as simple as posting a syllabus and associated readings on the worldwide web or may involve "streaming" live video lectures to a student via a modem and home computer. More complex technologies, such as white boards and threaded discussion groups, also permit the creation of a collaborative educational environment in virtual reality (Greengard 1998). These technologies are rapidly supplementing traditional teaching methods with the percentage of regionally accredited universities offering distance learning coursework increasing from 30% to 55% over the period 1994-1996 (Macht 1998).

Although such programs typically target non-traditional students enrolled in degree programs, distance learning is increasingly popular within the private and corporate educational sectors as well. Greengard (1998) predicts that by the year 2001 over 15% of businesses will use distance education in their training programs, with the market for corporate distance learning programs exceeding \$1.5 billion by the year 2000. The use of distance learning and the Internet as a training medium may be particularly attractive as a low cost, flexible educational alternative for smaller firms and individual or family-owned ventures. Many small business owners possess limited freedom to pursue continuing education and often fail to brush up on their core skills or acquire new ones (Macht 1998).

Successful application of distance learning methodologies thus can be used in circumstances where traditional educational programs cannot be readily implemented due to logistical or financial constraints. Agricultural equipment dealerships face many of these challenges as they seek to educate the next generation of business managers and adapt to dynamic domestic and international markets for agricultural goods and services.

Many of these dealerships are dispersed across the landscape, located in rural areas and without direct access to major educational institutions or business training facilities.

The goal of this pilot study was to assess the feasibility of implementing a small-business oriented, distance learning program through the Internet and worldwide web. A six-part, marketing principles module was delivered to a small group of agricultural equipment dealers in August 1997. The course was developed as part of a wider pilot study that included modules of communications, dealership management, accounting, and soil management courses.

## Pilot Study Group

Each study participant was an independent dealer of Case Corporation, a major manufacturer of agricultural and construction equipment. Thirteen dealerships were asked to participate in the pilot study based on their commitments to corporate standards for continuous quality improvements and customer service. The participants were demographically representative of dealerships in North America. Although part of the Case Corporation organization, the dealerships represented independent small businesses and thus required access to cost-competitive employee and owner training.



**Familiarity with Internet usage-Table 1**

Excellent - 12.5%	Average - 25%
Could get around - 37.5%	Used less than once or twice - 25%

The course was designed using Adult Learning Methodology principles adhered to by Case Corporation. This design provides students the opportunity to experience, reflect, generalize, and apply knowledge during the learning process. (Wagner 1997).

### **Pilot Module Delivery Methodology**

Although the learning module was constructed as a web-based tutorial, original delivery was completed in a computer lab with all participants and the instructor present in the same location. This format allowed the instructor to assess the technological skills of the participants, along with their reaction to the course content. While the majority of the participants indicated a prior awareness of the Internet, a wide variety of skill levels were found among the pilot group (Table 1). Most participants (75%) indicated that they had experience using e-mail for corporate communication; however, few had accessed the Internet as a business management tool.

### **LEARNING METHODOLOGY**

The environmental scanning step of strategic market planning process (Berkowitz 1997) was selected as the focus for the module. Besides offering a self-contained topic, the scanning techniques emphasize the use of secondary data resources to complete an assessment of uncontrollable environmental factors facing the firm. The module thus provided participants with an opportunity to employ practical skills necessary for the development of local dealership marketing plans.

The module design included short, skill development exercises and a larger project in which participants completed an environmental scan for their own business. Although designed to take two-three hours to complete, participants were encouraged to break the activities into two sessions, completing the learning activities first then returning at a later time to develop the environmental scan for their dealership. The module included the following activities:

### **Pretest**

The pretest was designed to assess the participant's current knowledge and comfort level with environmental scanning issues including new technology and industry developments, competitive issues, and familiarity with outside sources of information. The pretest was a short, four-point Likert scale questionnaire which facilitated electronic submission of responses via e-mail to the instructor.

### **Learning Activities**

Following a brief two-paragraph description of environmental factors and their importance in developing a marketing plan, students were introduced to a pedagogical model (Figure 1) which would guide them throughout the learning exercise.

*Learning Activity 1 - Consumer Factors* -Participants were first introduced to potential consumer factors in environmental scanning. A list of information sources was provided both through hotlinks to web sites (where a search of information could be electronically completed) and reference materials that could be accessed through local libraries. As an experiential learning exercise, students were required to complete a simple informational search of the USDA National Agricultural Statistics Service or the US Census Bureau web sites to find the number of farms in their geographic market area.

*Learning Activity 2 - Competitive Factors* -Participants were then asked to visit the homepages of several agricultural dealerships, including dealerships from the top three agricultural manufacturers. Items of special note on some of the home pages (e.g. guest book sign-in, visit counter) and required participants to reflect upon the marketing significance of the homepages.

*Learning Activity 3 - Industry Factors* - Participants were directed through a second experiential learning exercise using corporate homepages for Deere & Co,

Case Corporation, and New Holland Corporation. After entering their geographic market zip codes into the dealership locator on each homepage, the participants were asked confirm that accuracy of the posted dealership information and to identify competitors within their market fringe. Participants were asked to reflect on why it was important for their dealership to be available in the corporate dealership locator.

*Learning Activity 4- Technological Factors* - Because of the importance of technological developments in the agricultural industry, the participants were again asked to search the competitive corporation web sites for information on new products. The focus of this exercise was to identify technological changes which would impact their dealership sales potential.

*Learning Activity 5- Social/Cultural Factors* - Participants were provided a brief description of social/cultural factors important to the agricultural industry. Critical factors included suburban sprawl and land use changes, the reduction of available farmland, changing sex roles, and environmental awareness. Students were hotlinked to sites such as *Progressive Farmer* and *Successful Farming*, familiar agricultural publications traditionally published in paper but now available in an electronic format. Participants were asked to find one article that could potentially influence the purchase decision of their customers and reflect on its importance.

*Learning Activity 6 - Political/Legal Factors* - As the political climate has a tremendous impact on the agricultural industry, participants were sent to Federal web sites such as Welcome the Whitehouse and the US Department of Agriculture, along with their respective State Departments of Agriculture to check on pending farm legislation.

*Learning Summary and Application* - After completion of the learning activities, participants were given an opportunity to reflect on the importance of their research in developing a marketing plan. As a final application exercise, each participant completed an Environmental Scanning Worksheet. The worksheet was located at the end of the web site lesson and allowed participants to use the web sites provided in the previous learning activities as well as any they may have developed on their own. The worksheet was designed to be completed and submitted via e-mail to the instructor for evaluation.

## IMMEDIATE LEARNING OUTCOMES AND DELIVERY RESULTS

Analysis of on-site participant feedback provided information valuable to the development of a web-based course for agricultural dealers. Many of these findings also have general applicability for distance learning courses targeting broader audiences.

1. The ease of accessing demographic data about dealership market area. Many participants had never considered accessing farm statistics because traditionally-published information was not considered user-friendly or required a trip to a reference library. Use of the Internet to access this information was the highlight of the learning module for many participants. All participants asked for a detailed web address listing before leaving.

2. Participants were amazed at the number of dealerships doing business on the worldwide web, including their direct competitors. Most participants were surprised to find homepages for their local competitors and were unaware of their immediate competitors use of the Internet for marketing purposes. Peer experience was a valuable educational tool in this area. One member of the pilot group with web experience and a dealership home page had recently sold a \$100,000 piece of machinery through the Internet to a customer in France. A second member of the group was creating a web site to go online the following month.

3. Participants experienced increased comfort levels with the Internet. Many participants had limited to no experience using the Internet prior to the training module. Those with limited experience found the activities to be enlightening and found additional web addresses for future reference. Those with no experience had a greater comfort level with the technology, but could have used some more time to feel comfortable with the mechanics of using the system.

4. Varying levels of technology were available to participants. Levels of technological sophistication at each of the dealerships varied significantly. Many did not have Internet access through national or local providers and several were still running 386 or 486 series computers without modems. The idea of on-line group discussions appealed to participants, but technology limitations would make implementation difficult.

5. Time and place utility was a significant factor in participant completion of the educational module. Participants were pleased with the opportunity to accomplish the module on their own time schedule and generally willing to meet through a short, on-line discussion group once a week during the course and/or meet with the instructor on-line during designated question and answer periods. However, participants were very firmly set on controlling their time and freedom to complete the course modules during "down-time" was of utmost importance because of the seasonal nature of the agricultural industry.

6. A prerequisite of basic computer course is necessary before enrollment in distance learning courses. At the end of pilot delivery, both the participants and the instructor felt that a basic computer class completed through a local provider would help facilitate course delivery. Even though many participants used computers in their daily work, a general familiarity with the operation of computer technology was still lacking.

#### **FOLLOW-UP RESULTS**

A mail survey was subsequently administered to assess the outcomes of the pilot module, with a response rate of 67% (n=8). The survey was designed to assess the respondent's attitude towards the technology addressed in the learning module after one year. Findings of the survey include:

Respondents use of Market Module Information in their Dealership:

75% - had added e-mail and Internet connections within the last year, 25% previously had connections.

50% - had developed a web page for their business within the last year.

50% - had considered development of a web page, 25% had previously had a web page.

75% - had used the Internet for marketing information purposes.

75% - had used the Internet for other business reasons.

All who had an Internet connection visited their corporation home page, 50% visiting monthly.

Respondents use of Market Module Information in their Personal life:

100% of respondents felt more comfortable with Internet usage after their experience

87.5% - had used the Internet for personal reasons during the last year.

37.5% - had added personal e-mail and Internet connections within the last year

#### **CONCLUSION**

Overall, the participants indicated that the module was a positive experience and selected web-based delivery as their preferred delivery medium for a series of courses dealing with dealership management. Participants found the environmental scanning module to be useful to their immediate and future business planning needs. The delivery methodology was flexible and allowed participants control over their time and place utility of education.

One potential drawback discovered in the module was the potential for participants to experience "information overload" during Internet data searches. Therefore, future modular lessons should include a protocol that facilitates more efficient web exploration and information access. This module was designed to be part of a series, which would take the participant through the steps of developing a strategic marketing plan, with the lessons from individual modules implemented immediately in their dealership.

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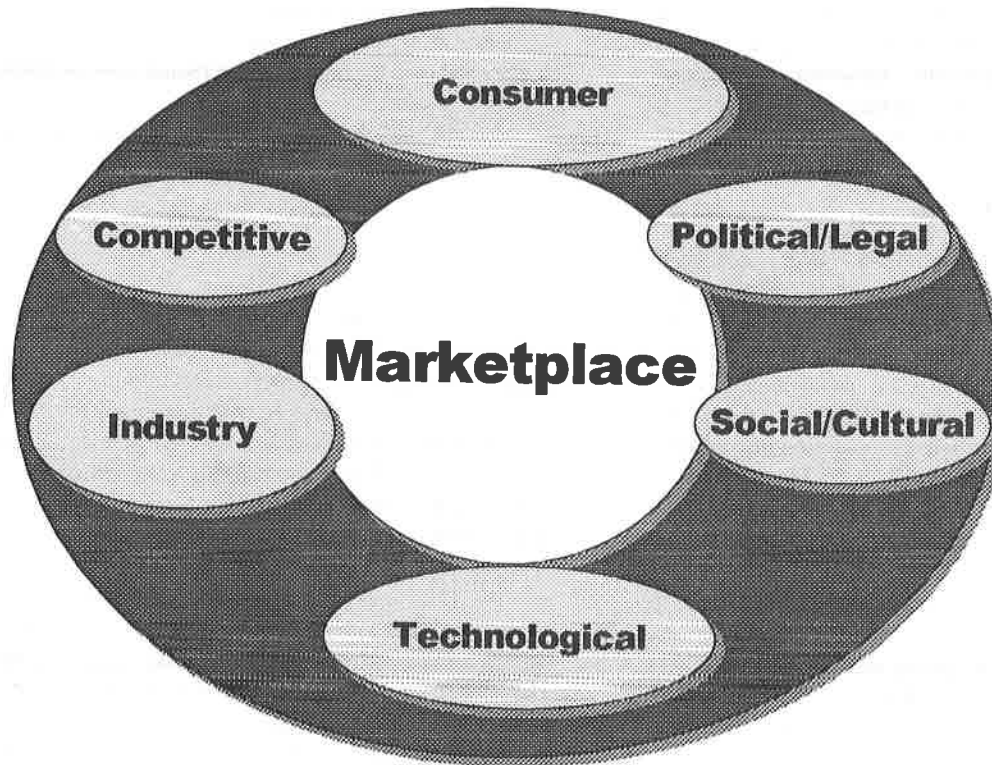
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**Figure 1 - Pedagogical Learning Model for Environmental Scanning (Berkowitz 1997)**

# FACTORS INFLUENCING ELDERLY LEARNERS' PARTICIPATION IN EDUCATIONAL ACTIVITIES WITH IMPLICATIONS FOR EDUCATIONAL PROGRAMS IN MARKETING

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## ABSTRACT

*The decline in traditional-age college students and increase in population over the age of 60 provide both a problem and solution for marketing educators. But will older people participate in formal learning activities? I interviewed 12 people over 60, transcribed the audio recordings, and analyzed the transcriptions. Within the pattern which concerned participation in educational activities, 11 themes emerged. This paper discusses these themes and their implication for education in marketing.*

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## INTRODUCTION

Many marketing faculty are aware of two related facts. First, as a result of the low birth rates of the 1970's, college enrollments of traditional-age students have declined (Spiegler 1998). Second, the leading edge of the large baby boom generation will soon reach retirement age. These individuals will remain healthy and active throughout their old age. Moreover, they want to engage in learning activities to keep their minds and bodies active, communicate with young people, deal with the death of loved ones, and come to terms with their own mortality (Alexander 1998).

Since business educators need students to fill empty seats and older people want educational activities, the former may want to organize courses around the interests of older learners. Some colleges and universities conduct classes for retirees (Friedan 1993), though they are neither widespread nor business oriented. However, will people over age 60 participate in educational activities offered by universities? Answers to this question emerged as part of a larger study on the learning needs of the aged (see Alexander 1996).

## METHOD

I administered a series of three, 90 minute interviews to each of 12 people. They included three individuals in four separate age groups: 60's, 70's, 80's and 90's. The interviews were transcribed then analyzed for patterns

and themes. One of the patterns concerned factors which influenced their participation in educational activities. Within this pattern 11 themes emerged. See Alexander (1996) for a more extensive discussion of the methodology.

The respondents and their ages at the time the data were collected include (1) Cassie Nelson, 63, (2) Larry Nelson, married to Cassie, 63, (3) Mikkel Podolak, 67, (4) Conrad Gronski, 74, (5) Francene Quadney, 71, (6) Father Thomas O'Brien, 78, (7) Margaret Fitzgerald, 84, (8) Reverend Lawrence Fitzgerald, 84, married to Margaret, (9) Ethel Bridgman, 84, (10) Virginia Singer, 93, (11) Henry Scribner, 96, and (12) Hazel Leach, 96. The Community, mentioned below, consisted of non-credit, adult education courses organized by a private college and conducted by experts on the particular topic taught.

## THEMES

The data yielded those factors which influence participation in formal learning activities. The eleven themes which emerged from the data follow.

**Past educational experiences dictated whether older people participated in educational activities.**

Mrs. Nelson believed that people who attended college when young continued to take courses as they aged. She remarked, "I really feel that [people who go to

college] have a more, a more of an interest in, in things. Maybe people that were, in the profession of education had more of a desire to, continue on I don't know." Mrs. Quadney, also a retired teacher, enrolled in a number of programs at local colleges before she retired, and continued them afterward. "I think sometimes it it [sic] depends upon what you did when you were younger. And I think some of us who were in education that you have to know what's going on. You can't just quit." On the other hand, she mentioned two friends who did not attend college but completed Communiiversity classes as older people. "Elisabeth Schumacher out here I don't think she's ever been an educator and she's very interested in Communiiversity. Just just [sic] frantically interested in education." Mrs. Quadney attributed this seeming inconsistency to the fact that both friends wanted to attend college after high school graduation, but for various reasons could not.

People probably continue into old age those activities which they established as youth, suggested both Reverend and Mrs. Fitzgerald. The latter learned to appreciate education from her mother. "I don't think any any [sic] lecture of importance happened in Amherst that my mother didn't didn't [sic] attend. She went to everything. So it was in my history." Of people who did not continue with education into their older years she said, "It's not in their tradition. It doesn't hitch on to anything in their experience. There has to be a continuation of something they've been interested in before. I think everything you want to go into [when] you're older has its roots in the past." Reverend Fitzgerald credited the Jewish community of his hometown for instilling a love of education. Jewish classmates attended public schools during the day, then sat in Hebrew school for several hours each evening. "Uh, because an education was the key out of the ghetto and um also because learning was was a a [sic] respected Jewish tradition," the Jewish kids studied hard and offered stiff academic competition for him. "And I don't think I've ever really been grateful enough to the Jewish uh standards and uh attitudes for education uh in a very uh poor community." Mrs. Singer believed that people will continue learning as they grow older if encouraged to learn and are educated well as youth. Mrs. Leach inadvertently offered herself as an example of the opposite situation. School was hard for her and neither parents nor teachers provided the support she needed to become successful. She did not continue her education as an adult. Mrs. Bridgman's parents objected to her sitting and reading because they thought that "[you] were kind of wasting your life work. It was an idle, pastime, just sitting and there was so much work to do. They looked

on it like that." But they sent her to college and in retirement she completed several Communiiversity classes. Mr. Groneski provided an exception. Though he attended college for a year and completed electrician's training in the military, he obtained no additional education as an adult.

#### **Many aged didn't allocate time to participate in educational activities.**

Mrs. Nelson, retired two years, said she wanted to take adult education classes but had little time. "There's so many things right around us that we haven't done," she observed. The Nelsons resided at their lake home most of the summer and moved to Arizona during the winter months. They did not have time in either location to pursue educational opportunities. Mr. Nelson commented, "If we hadn't a gone last year I was going to do something but you know we didn't come in from the lake till [sic], basically the end of September." Mrs. Quadney, however, commented, "You have more time . . . you're not burdened with all the noxious routines of taking care of a family and kids." Since she retired she had participated in several educational activities.

#### **Interest in formal education declined with age.**

Mr. Podolak believed older people lose interest in education. "I just tink [sic] that they're not interested in it I mean get to that age that, they feel that, they don't need no [sic] more education." Mrs. Nelson, however, enjoyed the challenges of taking classes and learning new things. "I don't ever want to quit learning," she said. But she observed that other people her age viewed themselves as old, and acted accordingly. "It's kind of like they're on glide or something." Mr. Nelson lamented the fact that technology had complicated things which might have otherwise interested him. His pickup truck was too complicated for him to repair and he lacked both the interest and desire to learn the technology necessary to repair it. About computer technology he said, "I would guess a person my age can still learn the, you know basics and, some of the, some of the other little fancy things on computers but uh, I guess it's not something that I would personally be interested in." Mrs. Quadney stated, "I liked to learn. I always did." But she also observed, "After 60 you, you figure I've survived this long without it why should I do it now." Mr. Groneski agreed. "When I was young, I would learn things that I had to learn, that I was no more interested in than uh, anything. Today if I was [sic] not interested in it I wouldn't be learning it my mind wouldn't even want, to listen to it."

In some instances situational factors influenced an individual's motivation to continue with formal learning activities. For example, Mrs. Fitzgerald expressed disappointment with one Commiversity class. "It was hot, it was dark in the room and there was very little air and [it was] hard to stay awake and the slides he had, I thought were very poor. I had a hard time keeping my eyes open." Her motivation to continue with the class declined, though she did not quit. Some people merely lose interest after they become old, Mr. Scribner suggested. "Well, as they get older they sorta [*sic*], lose interest. They think that they've done their work in this world."

#### **Limited physical mobility reduced participation in educational activities.**

Mrs. Quadney would take classes on a college campus were it not for arthritic hips which force her to use an electric cart. Removing the cart from her van and then driving it across campus posed almost insurmountable problems. Mrs. Fitzgerald also suffered from arthritis and could not walk the long distances between classes. She wanted to attend a conference in another state but said, "I'm not sure I'm going to make it. My walking is so bad now that I don't think I'm up to doing that, but I want to, I want to." Mrs. Singer could drive her car to the colleges, but she didn't drive at night or during the winter months. And she too suffered from arthritis and couldn't walk the extended stretches between parking lots and campus buildings.

#### **Declining physical strength decreased participation in educational activities.**

Speaking of seminars he attended when still employed, Mr. Nelson commented, "My mind could only absorb as much as my butt could stand. And as I got older that got shorter." In discussing older people who wanted to continue their education, Mrs. Fitzgerald said, "You've got the time but you haven't got the pep." And Mr. Scribner commented, "Now . . . we didn't realize it, but we start ta [*sic*], uh going backwards quite early in life. From the time you're, well, I'd say forty, you're not quite as good, physically."

#### **The diminishing ability to retain information in short-term memory reduced participation in educational activities.**

Mr. Nelson said his short-term memory diminished as he aged. When talking to friends, "I'll say geez [*sic*] I can't remember that. They'll say yeah I got that same

disease." Mr. Groneski, Mrs. Quadney, Father O'Brien, Mrs. Singer, Mrs. Leach, and Mr. Scribner claimed their abilities to retain information in short-term memory declined with age and they could not retain information as well now as when younger. Mrs. Leach said, "You can remember way back when better than you can remember things that happened right now." Mrs. Singer stated, "Well my memory at the present time is the most exasperating thing I have to deal with. Because, at the time when, when I'm conversing, uh, if I want ta [*sic*] say a person's name, I know the name, but all of a sudden I can't say it." She said the ladies she ate dinner with have the same problem. Mrs. Leach observed, "Now at my age my brain don't [*sic*], retain, like I used to." Father O'Brien complained that "People that I met recently . . . I can't even remember their names you know. And I go back, years ago, you know I can still recall those names." Mrs. Bridgman also grumbled about her short-term memory though, like Father O'Brien, her long-term memory seemed unaffected. To demonstrate, she quickly recited the names of the state's many townships and counties which she committed to memory at age six. Mrs. Quadney suggested, "[When] you're not under any pressure to remember things you don't remember them as well." Short-term memory might improve if older people enrolled in college courses and felt some pressure to remember material presented to them. And assuming that one did not suffer from the effects of a stroke or Alzheimer's disease, Mrs. Singer believed older people could remain mentally alert.

#### **Some older people did not take advantage of educational opportunities because they suffered a decline in overall mental abilities.**

Mrs. Nelson felt that she and her friends suffered some long-term memory loss. The way to keep mentally alert, she remarked, is to socialize, read, and go to lectures. Mr. Nelson suffered a cardiac arrest a year before the interview and fretted over his resulting memory loss. "I don't doubt that I have lost some of it but, I think I've [held on to] quite a bit of it," he said. Moreover, he worried that his attention span declined as he grew older. As a result of his diminished memory and attention span, he guessed he could not function well in a college class which met two or three days a week. Mr. Groneski believed that for many the "facilities of the brain uh, deteriorate just like, the rest of their body and, because of it they . . . have problems mentally." Father O'Brien also concluded, "Well your mind doesn't uh, work as well, and grasp things. I don't think . . . your retention is as good." He thought he couldn't keep up with college students if he took classes with them. "I



suppose the mind is unlimited, in uh its ability. But it doesn't seem to uh, be able to retain new things that you learn, as well as the uh, older things." Mrs. Fitzgerald admitted "Yes, yes memory changes tremendously. It goes, it goes, but the thing, it's there but it's not available." She recited a poem then admitted, "I've forgotten much more than I know. I forget the author's names, it's there, but not available." Mrs. Singer complained, "I think my brain's getting tired. You may not retain as well, as you did when you were younger and . . . I don't know if your brain wears out or what."

**Health issues forced some older people to participate in educational activities but prevented others.**

Mr. Podolak's declining health forced education upon him. After heart bypass surgery a nurse taught him healthy eating habits. When he developed diabetes another nurse taught him how to monitor blood sugar levels and inject insulin. On the other hand, a heart condition limited Mr. Nelson's range of learning experiences. He wanted to take flying lessons but "It's fruitless for me to try it now, because of my condition the physical condition." And Mrs. Quadney noted, "I do know one woman who was thinking about going and taking training for . . . LPN. But she had to give it up because her heart wasn't any good." Mrs. Leach blamed her diminishing eyesight and hearing for not taking college courses. Mrs. Nelson explained that several friends suffered from arthritis which limited their participation in educational activities. She also observed that hearing and sight limitations detrimentally affect older people's learning opportunities.

**The elderly will make an effort to learn practical material they can immediately apply.**

Mr. Podolak stated, "There's times you know I probably could use a class but then you gotta [*sic*] make sure you . . . make use of it afterwards." Practical reasons, including lower insurance premiums and the desire to remain alive, motivated him and Mr. and Mrs. Nelson to complete the "55 Alive" safe-driving program. Mr. Podolak also purchased a video tape on auto repair and a home repair manual. To avoid paying professionals he wanted to learn how to service his car and repair his home.

**Older people will need college classes to retool for a job.**

"Well you look down the road ten twenty years I, I can envision some people, quitting or retiring or

whatever from one position, and possibly being forced to, uhh, try something different or try another job," said Mr. Nelson. He believed that as the retirement age moved up to 70, colleges will need to retrain 60-year-old people for second careers. Mr. Gronski and Mr. Scribner agreed but since neither wished to return to work college classes held little interest. Mrs. Quadney dissented and viewed education as more than vocational. She believed people enjoyed college classes because, "I think just plain curiosity. Just curious to know something you don't already know."

**The aged who did not participate in educational activities may have given themselves permission to relax.**

Mrs. Quadney remarked that aches and pains accompany growing older, but "A lot of it is caused by trying to force yourself to keep up a pace that you can't keep up any longer." People resist giving themselves permission to relax because they never learned how to ease up. "It's hard to give yourself permission if you . . . had to be under the gun all the time it's hard to give yourself permission to [relax], to take a nap when you want to or to sit in the, the spa or to go swimming when you want to," she observed. Also, they don't want to admit they're getting to the point where they can't carry the ball any more. Instead of giving themselves permission to relax, they continue to take college courses and engage in the same educational activities which occupied their younger years.

On the other hand, Mr. Gronski, Father O'Brien, and Mrs. Bridgman gave themselves permission to relax. Mr. Gronski and his wife sold their home and moved into an apartment to avoid house and yard care. Father O'Brien commented, "I'm over, over the hill and I take it, a little easy now and, and enjoy life really." Mrs. Bridgman did not sign up for Communiversities classes because they place unwanted stress upon her. "I don't care to take any more classes. I just want to, take it easy, coast," she stated. However, she admitted, "Course you're not growing maybe, unless you're doing something and, taking courses. And I know that there's a lot I should be taking, if I want to grow. No there's no such thing as, as standing still. You're either moving ahead, or you're going backward." But she preferred to coast rather than take courses. The apparent contradiction between her beliefs and behavior did not seem to concern her, though.



## OBSERVATIONS

The first two themes offer support for continuity theory. Continuity theory predicts that patterns of behavior learned when young carry over into old age (Atchley 1977). That is, in the process of becoming adults individuals develop habits, commitments, and preferences that become part of their personalities. As they age people attempt to maintain continuity in these habits commitments, and preferences. Viewed in this manner continuity theory may be valuable in predicting and explaining the behavior of aging people (Covey 1983). If marketing educators are to attract older learners to their classes they might wish to appeal to this continuity.

Disengagement theory (Cumming and Henry 1961) might explain why older citizens lose interest in acquiring more formal education. "In our theory, aging is an inevitable mutual withdrawal or disengagement, resulting in decreased interaction between the aging person and others in the social systems he belongs to" (p. 14). Disengagement theory suggests that people will not continue their education as they age, but instead will disengage and withdraw from such activities. Note, however, that the theory has received much criticism and is "not widely accepted today" (Covey 1983, p. 96).

Five themes concerned changes in mental and physical abilities. The respondents believed participation in educational activities declines with age because of reduced mobility, physical strength, and health, and loss of short- and long-term memory. Friedan's (1993) review finds little support for either short- or long-term memory loss. Rikli and Busch (1986) and Spirduso (1975) found evidence indicating that strength and stamina do not decline. Older people who engage in vigorous physical exercise exhibit motor skills closer to active young people than to sedentary elderly. However, the data indicates that only Mr. Scribner exercised. Had they all done so, their beliefs might have been different. On the other hand, the mean age of Rikli and Busch's

participants was just under 70 while Spirduso's older subjects were between 55 and 60. These ages are considerably younger than 79.4, the average age of my respondents, and this difference in age might have made a difference in activity level. Marketing educators will want to provide parking close to classrooms to compensate for possible mobility and strength declinations. But though they probably need not worry about memory loss, instructors may wish to alter their teaching styles. In the event that their students' abilities to retain information diminishes with age, teachers may wish to de-emphasize memory-based evaluation methods, for example, in favor of case analysis and writing assignments (Shea, 1985).

The popular press offers support for the finding that older people may need additional education to prepare for new occupations. In recent years white-collar employees have suffered layoffs as companies such as IBM, Sears, and General Motors downsize (see the April 1, 1996, issue of *Fortune*). The newly unemployed workers, many well into middle age, often must retrain in order to secure employment. And the full employment economy which characterizes the second half of the decade has brought retirees back into the labor market, with many needing to retrain at age 65 or older. As Knowles (1984) points out, "Adults are motivated to devote energy to learn something to the extent that they perceive that it will help them perform tasks or deal with problems that they confront in their life situations" (p. 59). Marketing educators can provide the training in sales, marketing research, and distribution.

Last, several respondents gave themselves "permission to relax." These elderly individuals consider their life's work done, and they want to avoid challenging themselves more than necessary. They prefer to coast through their retirement years rather than, for example, meet the demands posed by additional education. However, I suspect that even the coasters would find a class in consumer education interesting.

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# THE YEAR 2000 COMPUTER PROBLEM

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## INTRODUCTION

SICOR came up with six wrong stereotypes that people have on the year 2000 problem:

1. It's a simple technical problem... just expand the date fields
2. We've got plenty of time...
3. All our systems will be replaced by the year 2000...
4. We don't have the problem... all our applications are new
5. Someone will invent an automated solution...
6. We will outsource our entire conversion effort...

### Identifying the Problem.

With computers mistaking the year 2000 for 1900, virtually all businesses that use dates will be affected. Not only will the companies be affected, but they are paying millions and millions of dollars in order for computers to recognize the difference between the years 2000 and 1900. The year 2000 computer bug is now one of the most important issues facing businesses, governments and other institutions worldwide.

**What is the year 2000 problem?** Before bringing any solution to the problem, we have to define exactly what the "millennium bug" is. In the early days of computers, computer programmers sought to save space by abbreviating years such as 1998 to 98. Experts programmed computers to store the date in the following format: dd/mm/yy. This only allows two digits for the year. January 1, 2000 would be stored as 01/01/00. But the computer will interpret this as January 1, 1900 not 2000 (De Jager 1997). The "19" is "hard-coded" into computer hardware and software, which means that the "19" is not changeable. Since there are only two physical spaces for the year in this date format, after "99", the only logical choice is to reset the number "00".

**Why is the millennium bug a problem?** Computers have changes our lives so radically that nowadays we depend on information provided by these

computers as much as we depend on electricity or running water. The problem has a critical issue on many things affecting our everyday lives. If for instance year 2000 problem is not solved, there could be no air traffic, traffic lights, no lights in companies, companies could not produce goods, no goods delivered to the stores, stores could not send bills to anyone else.

**The cost of fixing the bug.** The cost of fixing the year 2000 (or Y2K) is extravagant. The Gartner Group estimates the costs per line of code to be between \$1.50 and \$2.50. It is very common for a single company to have 100,000,000 lines of code (Conner 1997). Worldwide, the bug will cost the companies some \$300 billion to \$600 billion to fix. It could even go up to \$1 trillion, if the replacements of hardware and other expenses such as lawsuits are taken into account (Bylinsky 1998). The industry that will be the worst hit by the year 2000 bug is manufacturing, not only because its systems are more complex but also because the sector has been slow to recognize the importance of the problem.

In Orange County, the cost is estimated to be \$840 million to fix the year 2000 bug that affects older computers. The Department of Information Technology reports that this amount includes \$500 million in staff time and \$100 million in legal expenses (Chmielewski 1998).

**Other important dates.** The year 2000 is not only limited to what happens with the computers between December 31, 1999 and January 1, 2000. There are several other important dates that are essential. Last October was considered to be the last point where a large company could start fixing the problem with any chances to finish before the deadline. Furthermore, all computers have to be fixed by January 1, 1999. There are two major reasons for having the fixes done a year early. The first is that there are many "special dates" during 1999 that mean special things. For example, September 9, 1999 (09/09/99) has been commonly used as the expiration date for references and data that have no expiration date. The computer required that a date must be entered in, and in many cases, 9/9/99 was this one. Also, it has been

established that an entire year's cycle of events should be used to test all of the modifications that have been made to a system. Also, one should be sure to test to see which day of the week is 01/01/00. January 1, 1900 was a Monday, but January 1, 2000 will be a Saturday (Martin 1997).

## MAJOR SOLUTIONS

Experts from around the world have been working on ways to solve this problem. We will discuss further down five major solutions:

### **Changing the dates from two to four digits.**

According to IBM, the most straightforward approach to solving Y2K is to simply change the two-digit date fields to four-digit ones. This is considered to be the only complete solution to the problem, allowing businesses to benefit from endless range of dates for the future. This approach also can make it easier for the company to reformat the display screens with a hard-coded format present (IBM 1997).

However, changing from two to four digits has several drawbacks. The most obvious is that in order to convert the dates, every program and database that references to date data will have to be modified. These modifications are for most of them made by men and not through an automatic process. Also, this requires display screens to be formatted manually, as well as increasing record lengths in databases (IBM 1997).

**The date logic approach.** Another common method for eradicating the millennium bug involves what is called "date logic", or "windowing techniques". This procedure involves having a separate program to determine which millennium certain dates are in. For example, the program could determine that if the year ends in numbers between 00 and 20, the date is in the second millennium. If the year ends in 21 to 99, the date is in the first millennium. This technique avoids some of the massive changes and coordination associated with the expansion approach (Martin 1997).

This date logic approach also has some downsides. The most important is that the "time window" can never be more than 100 years, and the length of the time window cannot change in the future. Also, all the assumptions and logic must be the same for all the programs that will use it.

**The bridge program.** Another way of getting around two-digit dates involves a bridge program. This

type of solution is used to convert data from one record format to another. This allows a system to convert two-digit to four-digit dates as they are needed. This also allows a business to have very little down time for year 2000 renovations. Instead of converting all the data at one time, it is instead converted gradually. Moreover, this technique is very cost effective and fairly easy to do (Moffitt and Sandler 1997). Nevertheless, this bridge program can ruin a computer system. By removing the bridge before all data has been converted, two-digit dates may become mixed with four-digit dates, creating a larger problem than in the beginning.

**The replacing method.** Replacing the systems is probably the most straightforward method of solving Y2K. By simply discarding old systems and purchasing new systems that are year 2000 ready, a business can eliminate the year 2000 problem altogether (Martin 1997). This avoids the dilemma of coming up with solutions to the problem, but presents the difficulties of starting everything from scratch. This solution should be considered only if a company's system is too costly to fix, or if there are not very many systems that need to be fixed. Another idea is for one company to merge with or buy another company that has the Y2K compliant systems.

**The laissez-faire approach.** The last alternative is to do nothing to current computer systems that a business may use. This is not the same as ignoring the millennium bug and hoping that it will go away. Instead, it involves analyzing exactly what will happen to a company's computer systems and determining that the effect it will have is either none or very little. This solution will work if employees could work around any damages that may be caused as little as it could be.

## **The Planning of a Strategy**

Before implementing any solution, a careful planning of the strategy has to be considered by any business in order to be successful. Companies have to follow these four steps if they want to overcome the year 2000 difficulty.

**The awareness.** Although it is the shortest step, the awareness is considered to be the most important. This involves a detailed description of the problem to CEOs and the other decision-makers for the company. Also, the management must be informed of the impact that is likely to occur if Y2K is not solved. Without informing successfully the company executives, it will be challenging to get appropriate funding. As we already mentioned above, the CEOs' commitment and

support are primordial in order to have a project on the millennium bug succeed.

Just 22 months before 2000 begins, only one in five organizations has launched a strategy for achieving year 2000 issue, and only one in three companies has a detailed plan in place (Hoffman 1998). Many companies have assigned "millennium project managers" to work on some solutions, however a majority of them has troubles in having their CEOs committed to their plan. This is particularly true for companies with less than \$25 million in annual revenues. A recent year 2000 conference, sponsored by the Software Productivity Group, impressed upon corporate management the gravity of the problem. The main problem underlined is that executives at the highest levels of the company don't have the patience with technical explanations. The mission of these millennium project managers is to translate technical crisis into a business imperative, speaking in terms of delayed billing and cash flows, corporate and personal liability, and above all, a decline in stock price (Gibson 1998).

- According to a CIO Magazine survey of 400 top executives of those responding to the poll:
  - nearly 70% are not confident the millennium bug will be fixed by December 31, 1999 deadline.
  - a full 60% recommend that Americans need to investigate their bank's year 2000 compliance to ensure the safety of their personal assets.
  - nearly 50% are concerned their job will be in jeopardy if they are unable to fix their company's year 2000 problem. (Vital Dynamics Corporation 1998)

These statistics show that a majority of these top executives is concerned about the millennium bug, the issue is to inform them on the problems involving their companies.

**The planning.** Preparing and planning involve finding all applications that use dates and choosing the right combination of solutions to result in a successful

attempt. A business also has to consider any other outside systems it could be dependent on. In addition to this, a priority schedule should be created to determine which systems are absolutely necessary to the operation of the business, and then fix them according to their importance (Conner 1997). Companies which are interrelated should agree on a common date during which changes could be done. During this phase, an estimation of the costs as well as the length of the fixes have to be evaluated.

**The implementation.** This is probably the most tedious part of the year 2000 compliance. This involves taking proposed solutions and incorporating them into a business' computer systems. Depending on the solutions chosen, and how the solutions affect everyday business, a company's commerce could be impacted due to the need for various systems to be down at all times (Moffitt and Sandler 1997).

**The control.** The testing of the solutions is also a critical phase in the conversion process because it is the only way to assure that a business will start smoothly a new century. This procedure involves making sample databases and records to verify that the fixes were made correctly, and that all systems work correctly. During this phase, a few defects will most likely be found.

There are two common approaches to testing the solutions. The first involves making sure the systems work correctly in the twentieth century, testing the computer for the twenty-first century, and then putting the systems back into everyday use. An advantage of this method is that all of the tests are done at the same times, allowing quicker feedback. The drawback is that the amount of down time will be pretty high. The other approach is the same as the first, except switching the second and third steps. The systems are first put back into production, and then they are tested for year 2000 compliance while they are ensuring the flow of business at the same time. The advantage of this method is that down time is much shorter. However, getting results will take longer time (Pollner 1998).

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# JURISDICTION IN CYBERSPACE: WHOSE LAW CONTROLS?

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## ABSTRACT

*What acts on the internet should be criminal? Who should determine which acts are criminal and what the punishment should be? The authors will explore current literature on this subject and attempt to formulate some recommendations for future rules for determining jurisdiction in cyberspace so that business can flourish.*

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## INTRODUCTION

Technology has always been ahead of the law. Law is a synthesis of society's understanding of what is right and what is wrong. But it takes a period of time for a new technology such as the internet to create problems which society believes need to be addressed. First comes the swashbuckling adventurers and explorers who pay scant attention to rules because in the new territory or technology there are no rules. Second come the merchants and entrepreneurs who see opportunity to exploit the new land or technology. Last come the investors and bankers who want assurance that their investment in the new technology will be protected. This last concern leads to demand for rules to protect those investments.

If the sale of marijuana is legal in The Netherlands, but illegal in the United States, whose law should apply if a man in Louisiana orders a pound of marijuana over the internet to be delivered to his hotel room in Rotterdam and charges it to his *Visa* card whose processing center is in Atlanta, Georgia? Clearly, the United States, based on recent enforcement actions, believes it has jurisdiction over criminal matters where the material is downloaded, even if it is legal where the material is uploaded. But in cyberspace can we take such a parochial view? Do we need a law of cyberspace which will be enforced by all signatory countries much as the United Nations Convention on Contracts for the Sale of Goods is?

Cyberspace is a virtual world, unbounded by territorial or physical borders, such as waterways and mountain ranges. Instead, it is identified by websites, screens, and forums. It is a world of computer-generated

data derived from various online communities. The Internet offers the impression that one can physically travel through cyberspace. In cyberspace a computer user can explore websites posted from all over the world, communicate live with people in other countries and retrieve world wide responses to posted messages (Zembek 1996). The most common way to access cyberspace is through the Internet.

The Internet is becoming a consumer market and creating numerous legal issues in a lot of different fields. The Internet is a unique means of communicating. Virtually all online activity involves conduct that can be characterized as speech or publishing. From e-mail communications to more sophisticated forms of online publishing, the global information infrastructure has facilitated an unprecedented worldwide exchange of ideas, information, and content. One problem is that rules are needed to structure the transactions which take place in this marketplace. It is important to form a common conception of property rights, a system of electronic exchange, and a mechanism for enforcing both property rights and secure exchanges in cyberspace.

In 1969, ARPANET was created by the Advanced Research Projects Agency in the Department of Defense. It heralded the beginning of large-scale computer communications and what would eventually be called the Internet (Rheingold 1993).

A little less than thirty years later the use of the Internet has grown tremendously. Individuals from around the world meet and discuss issues of science, law and philosophy. Users form friendships that open up diverse cultures and social traditions. Can the Internet be defined as a community? A community has been defined

as " a set of persons involved in stable patterns of communication. Communities vary widely in the range of their interactions, the capacity of their networks, and the links between information and material exchanges" (Mandelbaum 1982).

Historically, laws were created through community meetings wherein disputes were discussed and resolved according to the norms of the community (Perritt 1993). This idea has gained new ground in a technology based society. In 1994 an open meeting was held on the World Wide Web by the National Performance Review. Several thousand federal workers participated in the online meeting to discuss proposals for bureaucratic reforms (Hurwitz and Mallery 1995). The meeting illustrates the potential of the many-to-many form of communication created by digital technology. Unlike the mass media era in which one to many communication predominated, computer networks and likewise network communities, allow for greater democracy and decentralization. However, prosecutors representing the same government rejected the notion of cybercommunity within the context of an appeal for criminal pornography distribution in *Thomas v. U.S.* (1996). Thomas was found guilty of criminal pornography distribution after a Tennessee resident downloaded pornographic materials from his California-based bulletin board system. On appeal, Thomas argued that the trial court should have applied the community standards of the cybercommunity instead of the standards of the Tennessee community where the material was downloaded. The United States position was that the Internet creates a global community and it is impossible to define community standards for such a large and diverse group of users. The government also relied on previous holdings which found that since the U.S. is such a large country with a diverse population there could be no federal community standard. The prosecution would not recognize that the Amateur Action Bulletin Board System might also be a community similar to a town or village.

Subsequently, the United States went a step further in attempting to prohibit pornography distribution on the Internet. The Congress enacted the Communication Decency Act (1996). The law met with immediate opposition from First Amendment advocates. It was ultimately ruled unconstitutional by the Supreme Court (*Reno v. American Civil Liberties Union* 1998).

In commerce the Internet breaks down barriers between physical jurisdictions. When a buyer and seller consummate a commercial transaction through a World Wide Web site there is no need for the traditional

physical acts that often determine which jurisdiction's laws will apply and whether the buyer or seller will be subject to personal jurisdiction in the courts where the other party is located (*Digital Equipment Corp. v. Altavista Technology, Inc.* 1997). Thus, in assessing whether and under what circumstances governments can assert jurisdiction over commerce on the Internet, it is also relevant to ask whether and under what circumstances they should assert such jurisdiction. To what extent should one force old models and analogies on this new way of communicating and doing business? There are at least two issues to consider. First, because physical jurisdiction boundaries typically have legal boundaries as well, we have come to expect that proper boundaries have signs that warn us to be ready to obey different rules after crossing. Because cyberspace has no territorially based boundaries, the net thus radically subverts a system of rule-making based on borders between physical spaces (Burk 1996). Second, the Internet has achieved the most participatory marketplace of mass speech that this nation has ever seen. As such, many believe that the Internet deserves the broadest possible protection from government imposed content based regulation (*Reno*).

## JURISDICTION IN THE UNITED STATES

In order to maintain a lawsuit in a given state or country, the court must have jurisdiction over the person and the subject matter of the suit. In the United States courts may exercise personal jurisdiction over persons who have sufficient minimum contacts with the forum asserting jurisdiction (*International Shoe Co. v. Washington* 1945). These "minimum contacts" consist of physical presence, financial gain, stream of commerce, and designation of the forum by contract. The courts have also held that speech directed purposely at the forum may create sufficient contacts for jurisdiction.

This means that even non-residents who are not physically present in the U.S. can be sued there as long as the person or entity has minimum contacts with the forum. In an era of computer communication, simple actions online may satisfy the minimum contacts analysis. Certainly, amazon.com which is located in Oregon would be subject to the jurisdiction of a court in Louisiana or Illinois on the basis of its sales volume in those states. Such global jurisdiction can apply to U.S. citizens as well. Would amazon.com be subject to the jurisdiction of a court in Canada because of its sales in that country? If Canada had a similar minimum contact requirement, it would seem so.



The case of *Creative Technology, Ltd. v. Aztech System PTE, Ltd.* (1995) would seem to support this assertion. Both Creative and Aztech were Singapore corporations with U.S. subsidiaries. All design and manufacturing tasks were performed in Singapore. Creative sued Aztech for copyright infringement in the U.S. Aztech countersued in Singapore and filed a motion to dismiss the U.S. suit. The trial court granted the motion on the basis of *forum non conveniens*, i.e., hearing the suit in the U.S. would be inconvenient to the non-resident parties and there was an alternative court available in Singapore. On appeal, the appellate court affirmed because all of the witnesses were in Singapore, even though Singapore laws were less favorable to Creative.

Despite modern technology, the court considered the maintenance of the suit in the U.S. to be burdensome on the parties. U.S. law permits courts to exercise jurisdiction over foreign persons based on their contracts with the forum. Applying the court's analysis to computer communication leads to confusion as to what nation would be the appropriate site for a legal action. For example, if a company in Norway put up a Web page on a server in Singapore with Disney's copyrighted images and the images were downloaded, cached, and browsed in the U.S. and other countries, what law would apply? Would the downloading, caching, and browsing be sufficient contract to bring a lawsuit against the Norwegian company in the U.S.? Such contacts might not be sufficient if, as in the *Creative Technology* case, the maintenance of the suit were considered burdensome and an adequate alternative forum existed in Norway. On a global network, a principal such as minimum contacts would not seem to solve the question of which jurisdiction would prevail.

### APPLYING LAW TO TECHNOLOGY

One of the main problems in applying existing law to new technology, especially the Internet, is that lawyers and judges tend to focus on the new media as simply another conduit through which information travels. What is often ignored are the social changes created by the new media. New media created an entirely new environment by causing people to interact with their surroundings differently. This is certainly true of the Internet, which is unconstrained by the physical forces of the real world and creates an environment that ignores Newtonian laws of physics (Katsh 1995). New technology creates new situations which existing law cannot control. At times, law can create a roadblock to progress by its lack of ability to adapt to new situations.

An interesting example is the phenomena of caching on the World Wide Web. Caching allows greater efficiency in the transmission of information on the networks by maintaining redundant copies close to those who access the information. For example, if a user in Germany browses a Web page in California, a computer somewhere in Europe may keep a copy of the page for the benefit of others that access the same information. Such caching not only has advantages in that individuals get quicker access to information, but also improves the ability of the network to handle more storage. There are some who would assert that, absent any fair use discussion, this form of "copying" is a copyright infringement (Samuelson 1996). Legally, this may be correct, but caching is not governed by the discussions of copyright lawyers. If this type of restriction were enforced, it would place severe limitations on the usability of the technology. Any application of the law to the network must be analyzed in terms of the impact to the technology and the progress of the Internet.

One legal scholar thinks some domestic laws are impossible to apply to the Internet without creating substantial limitations on the technology. There are distinct differences between the normal legal environment and the technological network. Courts do not properly apply copyright law to digital technology. Such undesirable outcomes may include keeping power of information in the hands of the few as opposed to disseminating new information and ideas to the many without media censorship of control (Elkin-Koren 1995). Online communication promotes interaction and social discourse among users where an empowered elite has controlled access to previous technologies of communication. Whoever controls the communications system within a country has effective control of the government (Eco 1986). This is one of the primary reasons that communication systems historically have been centrally maintained by governments, except in the U.S. where a government regulated oligopoly was maintained instead.

The technological environment offered by computer communication promotes decentralization whereas court procedures tend to promote centralization. While centralization was necessary in the environment of the printing press and publishers, the Network facilitates individuals to self-publish, thus creating a wider assortment of information. This new form of communication and wider access to information resources should be encouraged to grow (Elkin-Koren).

Law in the nation states is presently unclear as to

exactly where cyberspace transactions occur. This is demonstrated by the frustration of state governments in attempting to collect sales tax on Internet transactions or to regulate cyber casinos operating from offshore. The initial outcome will probably assign jurisdiction to the geographic location where the server resides that delivers the transaction. Internet service providers will no doubt challenge such laws under the common carrier and interstate commerce clause exceptions. Another likely outcome is to assign transactional legal responsibility to the jurisdiction of the recipient. Many argue that if a person commits a crime in cyberspace, then he can be brought to court where he was located when committing the crime. But what if the crime is only recognized as such where the victim is located and not where the perpetrator is?

This blurs the meaning of the concept of border. Certainly, piracy of real ships and cargo on the sea is much different from piracy of intellectual property on the Internet. One can determine where an act occurred at sea, but where and when does a specific act occur in cyberspace? How would one pinpoint time and place of a given event without real world references? Jurisdiction may be an anachronism in a border less world where time and distance have little meaning (Katsh 1995).

The method by which technology delivers online communication changes the impact of contract law. In the caching example copies are made to improve the efficiency of the system and are probably fair use under a copyright analysis. Yet an argument can be made that these copies impede the ability of the Web page creator to earn revenue. The companies that provide a Web presence for business clients often derive income from their "hits," *i.e.*, the number of times a Web page is accessed. Some large Internet service providers, such as America Online, regularly keep a copy of frequently accessed Web pages on their own computers. When a page is cached, it will only be requested once from the site even if a thousand people browse the page. As a result, the presence provider will get a smaller hit-count to show to clients. This might create problems in collecting revenue, which would be considered by U.S. courts in analyzing a fair use claim.

Caching is one example of the problem of applying real world law to the Internet. How to collect state sales tax on Internet transactions is another. In order to deal with these problems, steps must be taken by cyber communities to outline the proper application of real world law to technology. There have not yet been any real attempts to develop a code for the Internet by legal

scholars. There are many questions that deserve and require serious analysis to promote the progress of computer communication. Scholars, technologists, and lay persons can work together to create effective guidance for courts and governments in the application and creation of law for cyberspace. Perhaps the Uniform Commissioners for Uniform Laws could draft a code for domestic use.

Cyberspace, of course, is not localized; it is international. The lack of congruence between cyberspace's global, transnational character and the national geographic limitations on the courts leads to some important challenges in civilizing cyberspace through law.

Realizing the potential for the global Internet requires new approaches to allocate responsibility for tortuous and criminal conduct so that intermediaries do not face sanctions for activities they cannot prevent. American Online should not be held liable if a customer in Louisiana uses its system to search for and download child pornography from a site in Denmark. At the same time private and public international institutions must evolve so that rules for allocating responsibility can be enforced effectively, even against harmful conduct that cannot be localized to any particular nation.

Recently, an organization was created to research important network issues and make recommendations to governments and other interested parties. This group, called the Internet Law Task Force, can act as liaison between the network community and the nation. The task force could also assist in conflict management, by attempting mediation before going to court. The group can serve to educate legislative and administrative officials regarding the technical and network ramifications of any pending legislation. Through the efforts of the task force, governments can avoid potential legislation which would be detrimental to the future of the Internet.

## CONCLUSION

The advent of computer communication via the Internet has created a new world with new rules required. The change in presentation of information is not superficial but changes the culture and its institutions. The Gutenberg press resulted in the creation of many institutions including copyright law. The key to change lies in understanding how a medium affects patterns of communication. However, change in the medium does not necessarily mean that a single new system of law must

be created to solve the problems of the Internet. Laws are already being created by cyber communities (Katsh).

Groups such as the Internet Task Force can develop norms and determine how to resolve conflicts in cooperation with technologists, service providers and

others. Such norms can be used as guidance for courts and governments. Understanding technology is key to resolving the conflicts between law and technology. Efforts to develop norms can bridge the gap between traditional law and new technology.

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# **THE GREAT COOKIE CONTROVERSY: DELICIOUS TO ONLINE MARKETERS BUT DISTASTEFUL TO INTERNET USERS**

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## **ABSTRACT**

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Media attention, FTC hearings, recent browser options, and new software packages have drawn much attention to small passive text files called cookies. Cookies are placed on an Internet user's hard drive as the user is browsing the web. They provide information to web sites each time a user visits or revisits that site. Such information might include the dates and times a user visited that site, the type of operating system and browser used by the user, the links visited and how often, and other information users volunteer whether or not they are aware that they do. Why so much attention and such controversy? The controversy lies in the perception of the use of cookies. For the marketer, cookies are perceived to be an effective marketing tool. For the Internet user, cookies can be viewed as an invasion of privacy.

Online companies and advertisers collect information as a user enters a web site, provides data, or surfs around that web site. The company sends the information back to a web server. The web site then sends a cookie to the users computer, where it serves as a digital tag that notifies the site each time the user enters.

Many Internet users are not aware that cookies are automatically sent to their hard drive. Browsers use default settings to accept cookies and unless the user is aware of this practice, these settings remain unchanged. Thus, a cookie allows a web site to record a user's entrance and departure, usually without the user's knowledge or consent.

The purpose of this presentation will be to address (1) current data relative to cookies and their use by online vendors, (2) how cookies impact marketing intelligence relative to online users, (3) how cookies are perceived by Internet users, (4) how Internet users can protect their online privacy.

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# THE UNDERGRADUATE STATISTICS AND MARKETING RESEARCH COURSES: A CODEPENDENCY RELATIONSHIP

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## ABSTRACT

*The relationship between introductory statistics and marketing research courses should be recognized by instructors in both areas. Assumptions, which may be false, made by the marketing research instructor are discussed. The perspective of the statistics instructor is addressed through a review of recent statistical education literature. Suggestions for improving both courses through integration are presented.*

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## INTRODUCTION

When students enter an undergraduate marketing research course what statistical tools and competencies do they bring with them? The marketing research instructor must make several assumptions about the preparation level of entering students. One assumption might be that the students were required to have a minimum of one course in statistics as a prerequisite for the marketing research course. Therefore, the marketing research instructor may assume that the students have had adequate exposure to the statistical concepts necessary to succeed in the marketing research course. Another common assumption is that the students have also retained necessary statistical knowledge. These assumptions may prove to be true, or not, thus impacting the success of the marketing research course experience.

Ideally, the prerequisite statistics course(s) will mesh perfectly with the needs of the pursuant marketing research course. The typical undergraduate marketing research course attempts to expose students to all aspects of the research process from research design through presenting the results. Given the vast scope and ambiguous parameters of such a course, marketing research instructors cannot devote large quantities of course time to teaching basic statistics. The assumption must be made that the student has adequate preparation in the prerequisite statistical coursework. The course objectives for the marketing research course are typically designed to build on the foundations established in the prerequisite statistics courses. Thus, the two areas of coursework are interrelated. Success in marketing

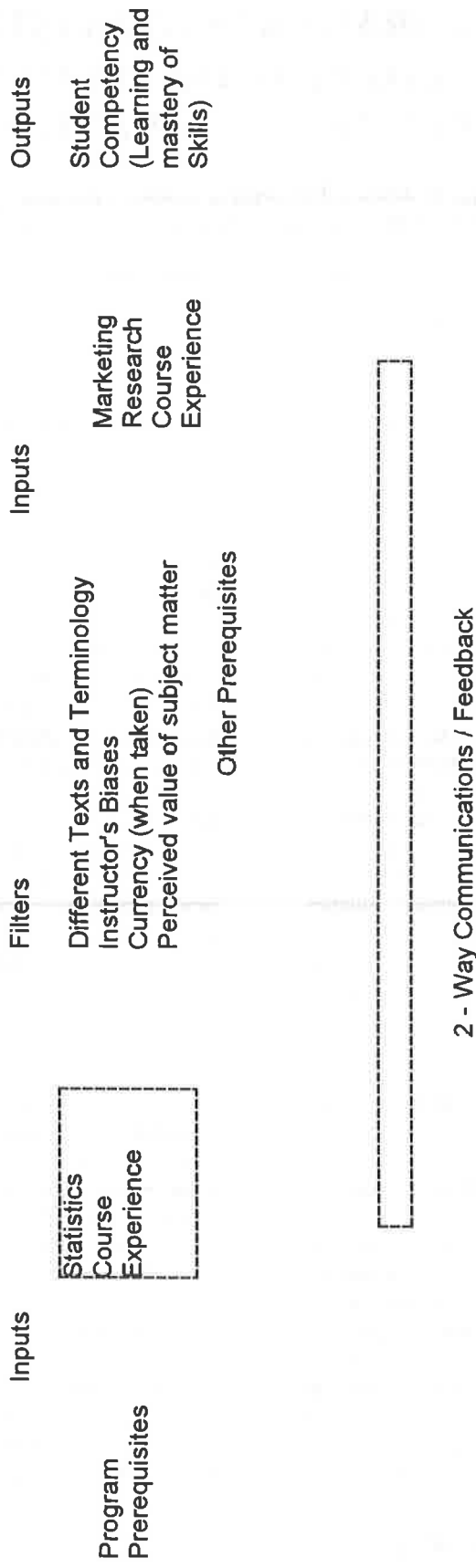
research is dependent on competencies obtained in statistics.

All instructors in a prerequisite chain of courses need to understand the nature of the input/output relationship between the different parties. Figure One illustrates the relationship between the statistics course experience and the marketing research course experience. Besides an understanding of the content of each individual courses' experience, an effective instructor will need to understand the various filters through which the statistics course experience must pass before it becomes input for the marketing research experience. In addition, a conscientious instructor from either area must attempt to establish and maintain the two-way communications and feedback loop between the two instructors. Specific components of this model will be discussed later in this paper.

The purpose of this paper is to advocate that instructors of marketing research review their students' statistical background in order to avoid making false assumptions about that statistical background and the competencies of their students. The need to know the nature of their students' experience with statistics is vital. A sense of not only what topics were covered, but also teaching philosophies and techniques in the prerequisite courses is necessary.

First, current literature on the teaching of statistics will be explored so that the marketing research instructor can see what issues are of concern to instructors in the prerequisite course. Second, to illustrate the relationship

Figure 1 - Input / Output relationship between the Statistics and Marketing Research Course



between the instruction in the fields a brief review of marketing research textbooks and business statistics textbooks will be presented. Third, some factors, which may potentially act as filters between the interchange of the two classes, will be discussed. Finally, conclusions and recommendations will be presented which discuss mutually beneficial suggestions.

## STATISTICAL EDUCATION LITERATURE

By delving into the instructional literature in another field an educator can obtain a sense of what issues are considered important by his/her colleagues in that other field of study. In this case, a marketing instructor can gain insights into the issues currently concerning statistics educators, what they believe should be done, and possible solutions such as examples of teaching pedagogy.

A common theme in the teaching of statistics literature is that statistics education is in serious trouble and changes must be made (Snee 1993). Statistics educators battle with student fears of anything quantitative and a general lack of understanding concerning the relevance of their subject. Anxiety concerning the perceived nature of the statistics course leads to hesitant students and statistics educators lament that both graduate and undergraduate students in applied statistics courses may purposefully avoid quantitative classes until such courses are required and then only take the minimum that is necessary (Schram 1996). Basically, this body of literature stresses that introductory statistics classes are perceived as necessary nuisances and are taken under duress. Unfortunately for the marketing research instructor also, statistics educator's fret that few students will enter a statistics course with expectations of building upon the material learned in that course and most will see their work in statistics as terminal (Blalock 1987). Statistics educators recognize that the skills taught in their courses are to be used in advanced work in other disciplines, so the benefits of the skills will be realized subsequent to the completion of the statistics course (Weaver 1989).

A casual content analysis of the statistics education literature also highlights a consensus among authors about what direction statistics education should take. The common theme is that students should not just learn computational skills, but how statistics is used in the real world. One author states that a statistics instructor's major concern should be that the students understand statistical ideas and be able to apply what they have learned to real-world situations (Garfield 1995).

The concern is that instructors overestimate how well their students understand basic concepts based on the fact they answer mechanical test questions correctly. Yet, when students are asked to apply what they have learned, they cannot translate the statistical concepts into the real world. Repeatedly statistics educators call for relevancy and real-world examples in statistics classes and they advocate it is a better use of their time to teach when to use a test vs. teaching computational procedures (Ware and Chastain 1991). Claims that student over-memorize formulas and look for cookbook approaches to problems are prevalent in the literature and fuel calls for pedagogical reforms in statistics instruction.

The statistics education literature also contains many articles that discuss teaching methods and techniques. A review of this literature would be very insightful for a marketing educator to not only help determine students' previous educational experiences, but also to glean ideas for more effective teaching in their own classes.

In order to satisfy the goal of making classes more relevant and useful for students, several statistics educators advocate writing assignments is assigned in classes (i.e. Smith 1995, Smith, Miller and Robinson 1992). Specifically, students could be asked to write interpretations of crosstabs given stated writing criteria. In another example, students are asked to answer statistical questions in such a way that a manager with little, or no, statistical training could understand. Again, the emphasis in the statistic class exercises would be to interpret and present statistical information to satisfy real life problems. To help students recognize that the reason for using statistics is to help people answer questions, writing assignments should encourage interpretation of findings not simply mathematical manipulations. Statistics educators believe that students should learn how to translate numerical information into words (Beins 1993).

Other statistic educators include small group exercises in their classes (Borresen 1990). Active learning has been applied to teaching statistics through the use of applied practical or professional examples. Teaching techniques have included role-playing and the use of scenarios or cases (Willemsen and Gainen 1995).

The marketing educator should be encouraged to note that statistics educators recognize that students do not see themselves as future statisticians and would prefer not to take statistics at all. They further recognize that students aspire to be business managers, or some other

profession that will use rather than produce statistical information. Therefore, the statistics literature states statistics should be taught in a manner that allows students to discover continuities between their present identities and their future identities. To do so, students should be immersed in simulated practice situations (Willemsen and Gainen 1995).

All of these themes and topics present encouragement for the marketing educator faced with teaching marketing research to undergraduates. The fear of quantitative classes often carries over into the research course. Students often are surprised to discover their statistics course was not terminal and that the material covered there becomes a foundation for the research class.

Student preparation for the research class will be enhanced if statistics instructors succeed in focusing the statistics course on real-world problem solving and incorporate relevant examples. Teaching techniques in the statistics class which emphasize practical interpretation of results can only benefit the marketing research experience. Many of those real world examples and problems incorporated in the basic statistics classes could come from current topics in marketing.

#### **CORE TOPIC SIMILARITIES AND DIFFERENCES**

In order to investigate the nature of the relationship between the marketing research course and the basic statistics preparation a cursory content analysis of textbooks in these fields was pursued. Five current textbooks from marketing research were analyzed (Aaker, Kumar and Day 1995, Burns and Bush 1998, Crask, Fox and Stout 1995, McDaniel and Gates 1993, and Zikmond 1997). Five textbooks with different approaches to the subject were employed to offer a fairly comprehensive perspective on the importance of statistical preparation for the course.

A marketing student may not receive his/her statistical background within the same department he/she later takes marketing research. Therefore, to obtain a general perspective of the course content in a basic statistics course typically taken by a business student several one- and two-semester textbooks on business statistics were analyzed for topic content and depth of coverage (Anderson, Sweeney and Williams 1999, Berenson and Levine 1996, Carlson and Thorne 1997, and Lind and Mason 1997, and McClave, Benson and Sincich 1998).

Statistics instructors have stated that core topics for introductory statistics courses are measures of central tendency and variability, correlation and regression, z test, t test, ANOVA and nonparametric tests (Ware and Chastain 1991). All of these topics, at a minimum, are relevant for marketing research courses.

Coverage of common topics was observed in the textbooks from the two fields. Measures of central tendency, hypothesis testing, confidence intervals, regression and chi-square tests are examples of topics covered in all textbooks under investigation. However, the depth of coverage given to topics varied. For instance, in one marketing research text (McDaniel and Gates, 1993) four pages were devoted to the discussion of chi-square tests while in the statistics textbooks an average of 30 pages were dedicated to the topic. In another example, while hypothesis testing is given passing attention in the marketing research textbooks the Carlson and Thorne (1997) basic statistics book devotes chapter of 86 pages to the topic. These variations are expected and logical given the nature and intent of the different courses and highlight the assumption the marketing research instructor makes that the topics have been explained thoroughly in the students' previous educational experience.

Several of the marketing research textbooks contained chapters devoted to multivariate statistics. Introductory statistics books typically do not discuss any multivariate techniques other than multiple regression. This may indicate that the typical undergraduate marketing research student is not adequately prepared to appreciate these techniques without extensive explanation.

When discussing common topics, not only did the depth of explanation differ but the nature of examples differed as well. The examples employed in the statistics textbooks were from a variety of areas. The marketing research textbooks appropriately employed examples from the field. Recognizing the need of interpretation and application of statistics, the marketing research textbooks also typically contained chapters on coding data and presenting the results of the statistical analysis, which the introductory statistics textbooks did not.

In general, the five marketing textbooks reviewed covered a wide range of topics in order to cover course objectives. The proportion of those topics that dealt with statistics varied widely between the books. In addition, the depth of coverage given statistical topics was necessarily limited. The assumption is often made in



the statistical coverage that students have already been exposed to these topics therefore all that is required is a 'refresher' experience. Unfortunately, in many cases the refresher experiences are either insufficient or stated in a manner that confuses the student (i.e. different symbols and terminology).

Another problem facing the research instructor is that his/her students more that likely had a statistics instructor from another discipline within business. While the statistics text may include a significant amount of information on topics of importance to marketing researchers (i.e. nonparametric methods), there is not assurance that those topics were given significant emphasis. Communication between the research instructor and the statistics instructor is the only way to ensure the needs of both parties are being adequately served by the statistics course.

### **FILTERS BETWEEN THE COURSES**

Figure One referred to previously presented the input/output relationship between the statistics and marketing research courses. In many cases the introductory statistics course's desired output is necessary input for a successful experience in the marketing research course. Figure One also exhibits some potential filters through which the student's statistical experience must pass before becoming input into subsequent courses. While not all learning filters can be recognized, it is helpful to acknowledge as many as possible in order to teach more effectively.

An instructor of marketing research should recognize that students are entering his/her class with specified prerequisite background experiences. Other than just which courses are listed as prerequisites, a marketing research instructor should be aware of the nature of these prerequisite experiences. As noted above, an instructor trained in some field other than marketing probably exposed students to introductory statistics. The student's previous instructor had personal biases and preferences as well as particular course objectives. In addition, the textbook the student was exposed to in their introductory statistics course likely contained different terminology and examples than coverage of similar topics in the marketing textbook employed in the research class.

Another potential filter between the successful transfer of knowledge between the two courses discussed here is retention of pertinent knowledge. As stated previously, statistics instructors realize that they often overestimate how well their students understand basic

concepts and just because the student answered a test question correctly does not mean they can translate that concept into a real world problem (Garfield 1995), such as those encountered in marketing research.

Unfortunately, the marketing research instructor is also impacted by the statistic instructor's various concerns that students, 1) do not value the material in the statistics course, 2) experience anxiety concerning the course to the point of fear and avoidance, and 3) perceive their work in the course as terminal. In other words, students typically do not realize the value of retaining the material from their statistics course for the successful completion of marketing research and other courses.

Further complicating retention of knowledge from the statistics course is the timing of the sequence of courses. A time lag of any length between the two courses may potentially impede the effectiveness of the input/output relationship between introductory statistics and marketing research. A marketing research instructor should recognize that students entering his/her class may not have completed their statistics prerequisite recently and may not have retained a significant portion of the material originally covered in the course.

### **CONCLUSIONS AND RECOMMENDATIONS**

More than a decade ago the codependency relationship between statistics and business degrees was recognized (Easton, Roberts, and Tiao 1988). At that time it was noted that to reinforce the benefits of statistical thinking statistics should be worked into courses in other areas of the business school. In addition, it was noted that statistics courses should incorporate examples with direct relevance to business problem solving. The statistics and marketing research courses provide the ideal opportunity to operationalize these suggestions.

The discussion presented here has direct and specific implications for curriculum development in several areas. First, in terms of course sequencing, what must be determined are the necessary prerequisites for courses and also the most effective timing of the sequencing. Potentially disadvantageous time lags should be avoided. Second, course development should be reviewed in light of the observations made here. Marketing research instructors should review the introductory statistics courses in terms of the course content and relative emphasis given to topics by the statistics instructors. As an outcome of this review, the marketing research instructor may suggest additional

topics to be covered in the statistics courses and also supply relevant, real world examples for the statistics course. Communication between research and statistics instructors is essential to the success of each and should become a two-way street. The mutual review of courses can benefit the effective course development of the marketing research course also. To maximize available time in a course that covers a wide range of topics and skills development, the marketing research course should be reassessed in terms of needed remediation on statistical topics. In general, the marketing research course's objectives should be realigned to better serve student needs.

Instructors in the two courses discussed here, introductory statistics and marketing research have many mutual concerns. Two-way communications and feedback between the two parties can alleviate some of these concerns. By integrating common goals and concerns into course development not only will

instruction become easier, but also the student will ultimately benefit. In both areas instructors should move away from teaching mechanics and towards understanding. The perspective of not just memorizing formulas but learning how to interpret results and write for an audience benefits both courses. Common pedagogy would enhance student learning.

If the desired outcome of the marketing curriculum is a student with a high level of competency in marketing and the mastery of various skills in marketing and marketing research then recognition of the relationship between the successful completion of prerequisite courses not in marketing is needed. Specifically, the relationship between introductory statistics and marketing research was explored here. In order to be effective, the courses should be seen as mutually benefited by acknowledging the needs of the other.

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# FROM INTERNATIONAL MARKETING TO GLOBAL BUSINESS EDUCATION

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## ABSTRACT

*The formal teaching of international marketing started only in the sixties and it was consistent with the US business needs of that era. Changing realities and accreditation pressures resulted in the introduction of an international business (IB) course and a respective major field of study. Today's global business village present new teaching and course content challenges.*

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## INTRODUCTION

This paper traces the evolution of well-developed International Business Programs (IBP) found in America, Europe, and the Far East. It is based on own experience in developing and directing one IBP, insights on dozens of other programs, and the study of the writings of many of our distinguished colleagues. It has three sections: (a) international marketing and major elements of a typical IBP in the seventies and eighties; (b) directions taken during the nineties; (c) extrapolation for the next decade.

## FROM INTERNATIONAL MARKETING TO IBP

The teaching of business administration dramatically changed after the Second World War. In our opinion, the most important change was the globalization of business activities. Multinational corporations, superpowers of the modern era, started controlling the bulk of enterprising on a global scale. The traditional nationally based political powers accepted lesser roles and allowed these companies the commanding responsibilities for capital movement, sourcing of raw material and labor, educational direction, market development, and even standard of living. Anecdotaly speaking, it is alleged that General De Gaul, the French President, once stated: "The era of state colonies is over (colonizer); the era of coca-colonizer starts," meaning financial occupation--not military.

After the war American business became the prima donna of world trade. Its sound manufacturing supplied the world with quality exports at a time when the rest of the world was rebuilding their factories. Businesses demanded an increased number of accounting, finance, management and marketing majors. U.S. colleges intensified their efforts to fulfill the expanded educational

needs of corporations. Existing research and teaching paradigms were used and/or adapted to the new realities. Hundreds of thousands of graduates were channeled into the corporate world after having received what was perceived to be the appropriate university-level education. U.S. Business schools, world-wide, became the unquestionable authority of meaningful business schooling, probably due to accreditation pressures, like those of AACSB-The International Association for Management Education.

Global business educational needs became the new focus of American universities. A pioneer in this effort was the Academy of International Business (AIB) that, among others, published a series of surveys of international business curricula. Accordingly, at least 270 AACSB schools offered at least one course in IB studies in the seventies, whereas the number jumped to more than 380 ten years later. By 1985, American schools, responding to the global educational business needs, were offering IB in a specialized International Business department (5%), in "another" department (25%), and two-thirds of them were claiming that IB material was incorporated into functional courses. Thus, entering into the nineties, a well-developed IB program included:

- Many different undergraduate and graduate international business courses
- An international business major and/or co-major with a functional business field.
- A MBA/IB.
- An international business (student) club. These "clubs" provided listening posts of the student desires, vocalized needs by by-passing the traditional obstacles of the academe, assisted in specific projects, resulted in a spirit of cohesiveness, action and creativity
- An international business (academic) committee from business functional areas. This usually helped to

identify academic needs and support material, proposed new courses, and provided influence during departmental meetings

- Executive/business advisory boards.
- Fundraising activities.
- Program exchanges with foreign business institutes
- Practitioner- oriented international business workshops
- Region-specific aspirations since the political logic and the support base were usually next door
- Existing institutional strengths and synergies, usually supported from the departments of modern languages, geography, political sciences, anthropology, and history.
- Research about international business curricula and related issues. A great deal of good academic research was produced during those years.

International marketing, as a course and according to the same surveys, was taught in 37% of AACSB schools. In comparison, 12% offered a course in international accounting, 29% a course in international business, 32% a course in international management, 40% a course in international finance, and 44% a course in international economics (Thanopoulos and Vernon, 1986). Moreover, when we study the international marketing texts of the seventies and the eighties we realize the potential overlap between a course in international marketing and another in international business. It is interesting that today the majority of the authors of international marketing texts continue to prefer to position their books covering most of the initial and cross-cultural material of an IB text.

### **DIRECTION DURING THE NINETIES**

Transcending into the nineties American educators realized the inherent shortcoming of untested methodologies. Major educational influences, like *A Nation At Risk: The Imperative For Educational Reform* and *America's Competitive Challenge* were pointing to the challenges of global educational competitiveness. The American educational system was eroding. It was not anymore suitable for the changing global business arena. The lesson was clear. The vision for good IBP had to be restated.

The global business village was a reality. Moreover, we had to deal with a variety of pressures ranging from the higher risk of our entrepreneurial ventures, to media influences, to impressive technological breakthroughs, to fast generation of information. Country and regional alliances created new power blocks, social paradigms changed, the post-market and technology eras were ante portas. The multinational corporation had an increasingly

important role. The "global marketing" had become the most critical part of IB activities.

At the same time we needed to recognize the new geopolitical map. NAFTA became a working reality. The European Union merged 15 European countries with 400 million people, wealthy and educated. The economic strength and the volatility of the Pacific-Asian region, with almost 60% of the world's population, became a previously underestimated and formidable force.

After the war, the "prima donna" of the world trade was the United States of America. USA had positive trade balances and owned the large majority of global corporations. Forty years later, the picture was vastly different. The U.S. had huge annual trade deficits and owned an equal number of companies with those who lost the war--Germany and Japan. The era of a global business village was here. General De Gaul knew about strategy when he saw the era of coca-colonizing. That was the time to design military strategies for future business successes and to plan the educational tactics for business survival for the next century. Some of these tactics included:

- Global orientation in every business course.
- Updates on current events, domestic and international.
- Significant practical regional business input in designing specific curricula.
- Extensive cross-cultural exposure for all students.
- Cutting-edge understanding of functional fields that are heavily affected by global changes
- Extensive cross-disciplinary exposure for all students.
- Participation in international exchange programs as a requirement for graduation.
- Students graduating with proficiency in at least two languages.
- Selection of students based on attitudes--not only performance criteria.
- Mentorship of all students on an individual basis, when needed.
- Availability of internships and co-ops for all students.
- Continuous retraining of faculty.
- Use of practicing businesspersons as adjunct professors.
- Comprehensive resource centers with satellite linkage capabilities.
- Assurance of accurate processes within the CBAs (ISO equivalency).

True to their mission, several IBP aimed to prepare the globe-able businessperson. In the United States public funding supported the first regional centers that focused on

international business education. However, business education was not anymore an exclusively American domain. From INSEAD to London's Business School, educational institutions repositioned themselves for a global educational competition. The finest resources were utilized to develop the most suitable business executives for functional and cross-cultural undertakings.

However, during the nineties, most schools continue to teach international or, sometimes, global marketing using the old paradigms. The course, in the most of the studied cases, continued to have overlaps with the basic IB class. In addition, very few of the instructors teaching the class were truly insightful, by experience and/or knowledge, about the global village realities.

### **EXTRAPOLATING FOR THE NEXT DECADE**

The first decade of the new century will project a different global village. It will be changing dramatically faster with shorter, more moderate, and synchronized business cycles. Multinational corporations, large and small, will be the major players. They are already using electronic currencies interactively with regional corporate treasury centers. They face substantial reengineering tasks and systems that need global control and coordination. They require employees with new functional skills, superb attitudes and cross-cultural understanding.

Their human resource needs are what the business schools of the future will be asked to meet, either with new graduates or through the continuing retraining of current employees. They will need employees capable of crossing national boundaries, bridging corporate cultures and functioning immediately after their schooling. Moreover, the exact skills graduates will need cannot be stated far in advance. They have to be continuously reassessed in light of the changes in how business is conducted. We will need to express a newer IB vision and the methodology to realize it.

For a moment ... let's dream ...

Imagine a well-qualified student who starts her general studies at a major university somewhere in the USA. After completing three semesters and one summer, she decides to continue her studies in Holland for a semester. She then spends her summer touring Europe and in a work or fun capacity at a Med Club in Morocco. Afterwards she departs for a year-long experience in England where she studies for one semester and interns with a large multinational company for the remaining seven months. For the next semester she studies in Greece, and the following in

Indonesia. She comes back to the university where she interns for that summer with another large company, takes her last senior-level classes in the Fall and is awarded her degree in Marketing and International Business.

During this experience she has completed 142 credit hours, has two majors and a minor, has worked in two different businesses in two different countries, has lived for at least one semester in five different countries, is fluent in a couple of foreign languages, and has visited twenty-six countries on three continents. She is also ready to be a productive employee within the very first month she will join her first job assignment.

What is the total cost of this experience? Four and a half years of this young lady's time and substantially lower out-of-pocket educational costs than traditional systems. This is because her future employer, instrumental in selecting her after high school, covers most of her educational expenses and provides the co-op and internship experiences.

We state that the objective for a future global business school is to coordinate a cutting-edge business administration education within a network of conceptually similar institutes found in a variety of locations around the world. The students will have the opportunity to complete an undergraduate business degree by attending one or more of the network institutes. Furthermore, these institutes should be in continuous partnership positions with regional global entities and together provide co-op, internship, and case work experiences to all audiences: students, current employees, the teaching faculty and the community at large. These entities should also provide funding, specialized instructorship and placement of graduates.

The benefits from the arrangement will extend beyond the traditional international business education boundaries. The students will be able to experience different world regions and at the same time complete their chosen degree within the expected time constraints. Their study will cover both academic and practical dimensions, in effect making them immediately useful in the pre-chosen companies. Faculty will be able to practice business skills, teach and research in any of the network locations. The exchange of ideas and global synergies are expected in areas such as internships, student placement, enhancement of teaching methodologies, research, and distance learning.

The previous description is very close to the realities of some of the better IB programs. Several operationalizations of this concept exist. The question is where does the international marketing course stand? It was said before that

the "global marketing" is the most critical part of IB activities. But where do we find the professors to teach this class? Are there enough for the thousands of courses offered? Do they have practical knowledge of the area? Can they assist in developing international business executives who will be: (a) immediately employable in a productive capacity, (b) able to function in a variety of global business environments, (c) well-balanced personalities, with honed functional skills and responsible attitudes?

The statement of this author is that today's business schools leaders should redefine their mission statements and, in the process, assess and redirect the subject matter of most international courses, including that of international marketing. Attention should be given to the resources available and the professorial qualifications to teach this continuing changing and challenging course.

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# TEACHING MARKETING TURNS ON RETURN

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## ABSTRACT

*This paper suggests that beginning marketing students should be trained to recognize how marketing activities impact on the various aspects of the strategic profit model (SPM). The authors propose a teaching suggestion to ensure that marketing students understand the important link between marketing tasks and the organization's financial goals.*

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## INTRODUCTION

Most marketing educators explain to their introductory marketing students that marketing is a central business function, and indeed that the other business functions revolve around the activities of marketers. Throughout the term students will struggle to comprehend just what marketing is all about. The fundamental lesson in a principles of marketing class is to make it clear that the focus of all efforts is on understanding customer needs in order to generate satisfying exchanges. That is the main idea of the marketing concept, but doing so in a way which insures the long-run survival of the organization is also a part of it.

Students understand the customer orientation aspect but what is often not grasped is exactly how marketing activities support the purpose of long run profitability. The later purpose, for profit making firms, is to provide investors/owners with the return they expect. This is true for not-for-profits as well since they are accountable to some stakeholder(s) for invested resources.

An article in *The Wall Street Journal* (1996) reported that the American Management Association (AMA) had surveyed executives and found that less than one half of them believed that managers, outside finance and marketing, had a clear grasp of the firm's goals. Further, some believe that marketing and finance have been at odds for some time; "The battle between marketing and finance departments has been raging for years" (High 1998). High goes on to suggest that things may be changing but only because marketers have made efforts to demonstrate the effective use of funds allocated to them. Proctor and Gamble proudly reported a 13 percent increase in profits (*The Wall Street Journal* 1997) mostly attributed to reducing costs and adding new products. Marketers who understand the impact of their activities would realize their central role in

P&G's profit picture.

This paper is an attempt by two professors, one in marketing and one in finance, to explore the problem of the marketing and finance link in teaching and propose a model which might be used by marketing instructors and authors of introductory marketing textbooks to ensure that early in their studies marketing students and others see the connection between marketing activities and return on invested resources.

The remainder of the paper will continue as follows. First, some highlights of the topic from the literature are explored, next, the results of a scanning of selected textbooks is discussed, then, a model is proposed and finally conclusions and suggestions are presented.

## HIGHLIGHTS FROM THE LITERATURE

While much has been published about how to make improvements in marketing education, very little has been written on the exact subject of this paper. A common theme in the literature is that business courses, in general, do not meet the needs of business. "Employers Give Schools Low Grade On Job Preparation" (*The Wall Street Journal* 1995), "Students Will Gain When We Agree That Our Product Is Job Training" (Schibner 1993) and "Business Schools' Formula For Irrelevance" (*The Wall Street Journal* 1994) are typical cries heard. Of course this is not a new cry. In one study of CEOs by McDaniel and Hise (1984, p. 27) it was suggested that marketing educators were not practicing the marketing concept in preparing students in that they did not align their product (marketing curriculum) with the needs of business.

In the same article as noted above a specific reference to marketing and finance is made. What is pointed out is that a void exists in the marketing literature

RATIO	EXPLANATION
1. Profit Margin (Net Profits/Net Sales)	dollar of sales
2. Asset Turnover (Net Sales/Total Assets) (ATO).	2. Measures dollars of sales produced per dollar invested in total assets
3. Return on Assets (Net Profits/Total Assets) (ROA)	3. Measures net profit or return per dollar of all funds invested by owners and creditors
4. Financial Leverage (Total Assets/Net Worth)	4. Measures dollars of total assets acquired per dollar of owner's investment
1. Measures amount of net profit or return produced per	
Three management dimensions emerge from the above:	
1. Improvement of Profit Margins	
2. Improvement of Asset Management	
3. Improvement of Financial Leverage	

regarding the financial dimensions of marketing strategies (McDaniel and Hise 1984, p.31). They go on to share the thoughts of Paul Anderson (1979) who pleads for more interface of finance and marketing. The article calls for more "financial sophistication by marketers" and reminds us that "after all, most marketing decisions are actually investment decisions." Mayo and Miciak (1997) inform us that teaching innovation in marketing will be more marketplace oriented if the source of innovation is outside the marketing department. These ideas come from academicians, but those outside, in the business community, express the same idea. "In the future chief executives and finance directors will be called upon to explain their marketing investments in much greater detail. More specifically, marketers will need to understand dynamic valuation and drivers of that value in clear and quantifiable terms (*Management Accounting 1998*)."

Another industry source has approached the subject from a different perspective. John Mariotti, (*Industry Week 1998*) suggests that when profits fall firms should not look at cost cutting alone but rather at investment in marketing activities related to those which would impact on margins, volume and so forth. He talks about the mix of products sold, pricing, special deals, trade allowances, freight costs, assortments of customers served along with the services provided to them, and much more. He is talking marketing! We are talking about training students of marketing from the outset about the financial implications of marketing activities. Next we will discuss the scanning of introductory marketing textbooks carried out for this paper.

#### TEXTBOOK SCANNING DISCUSSION

A convenience sample of eight recent introductory marketing textbooks was used. Selected topics related to the strategic profit model (SPM) were identified and the contents pages of those textbooks were searched for the terms. First, a graduate student scanned the books for the topics and subsequently the authors did the same.

Of the eight textbooks examined, one had no coverage of financial material. Of the remaining seven books, all but one included the financial discussions in an appendix. The one exception covered one half page in an appendix and devoted one half page to the subject in the main body of the book. Totally 20 pages of text was devoted to SPM related topics in the eight textbooks scanned. The most coverage for any one book was four pages. Three textbooks had four pages each and recall that one book had no coverage at all. Consider that most textbooks have well over 600 pages. If we divide 4 by 600 we get .0067. Hence, coverage of financial subjects related to the strategic profit model in introductory marketing textbooks (in our study) is at most .7%; that is less than 1% of the book. We have also been generous in our counting since often only part of a page had material directly related to the SPM. Space limitations do not permit the presentation of the specific textbook results of the investigation.

As to the suggested use of the material covered in these textbooks, it is generally either ignored or stated that marketers need to be familiar with financial matters because they are needed for monitoring performance. Only one textbook suggested anything about how marketers might impact on results. In that book (Zikmund 1996) there is a

## 1. Improvement of Profit Margins

### Basic Approaches

Costs Down

Selling Price Up

Other Possibilities

### Marketing Activities Examples

To keep costs down look at such activities as better sales force management of time, territories, special deals, and so forth; more efficient use of promotion dollars; product mix improvement; better logistical mix; etc.

To set higher prices consider such marketing activities as market research to understand responsiveness to price changes; heed segmentation strategies; differentiate products; and so forth.

## 2. Improvement of Asset Management

### Basic Approaches

Current Asset Management

- Inventory Turnover
- Inventory Management
- Receivables
- Logistics
- Other

Fixed Assets (Operational Leverage)

### Marketing Activities Examples

All aspects of the marketing mix might be used to impact on turnover, price, product quality, improved logistics, and promotional efforts. In some ways this is the heart of marketing, create the exchange and get it moving!

## 3. Improvement of Financial Leverage

### Basic Approaches

Long Term Debt

- Loans
- Bonds
- Other

Current Debt

- Suppliers
- Others

### Marketing Activities Examples

Any activity which would help the organization to present a better image to lenders. For example, good public relations image as, well managed; technological leadership; handles dissatisfaction in a superior way;

Also how it deals with stakeholders, keeps promises, internal marketing programs; has strong brand loyalty. Just-in-time systems.

brief discussion of the impact of pricing decisions on margins and turnover. Recall that the focus of this paper is not on using ratios for control purposes but as underpinnings for understanding how marketing activities help to achieve long run success.

### **EXISTING AND PROPOSED MODELS**

#### **Existing Strategic Profit Model**

Using as a starting point the Strategic Profit Model as presented in a number of textbooks, for example, Mason, Mayer and Ezell (Retailing 1994) or Hasty and Reardon (Retail Management 1997) the following

definitions and scheme are presented. The strategic profit model should help the marketer to identify factors which impact on the organization's return on net worth or owner's equity. Four ratios affect return on net worth (RONW) (Net Profits/Net Worth).

Not all the financial items involved in the ratios are under the control of marketing but we attempt to discuss those which are.

#### **Proposed Model For Principles Of Marketing Textbooks**

First, financial analysis should be taken out of the

appendix and integrated with the body of the book. Next, each major marketing function and many of the other marketing tasks could be flagged as potential ways to impact on the various financial ratios in the SPM. This might be done in several ways. Identified activities might be put in *italics* or in **bold type**, or possibly underlined. It might also be possible to end each chapter with a discussion labeled "applying marketing tasks to financial returns." In addition, end of chapter questions or projects might reinforce the ideas. One of the reviewers also astutely noted that computer games and simulations are currently available.

Whatever approach is used, the ideas below suggest the kind of practical ideas marketers can use and the critical thinking students can do about marketing's role in improving the financial aspects of an organization. Please keep in mind that the model below is evolving and is open to reworking, deletions and additions. It is provided by way of example to interested readers and is not intended to distract from the fundamental customer focus of marketing.

### CONCLUSIONS AND SUGGESTIONS

What is suggested in this paper is that marketers, at all levels of all organizations, need to understand how their day-to-day activities impact on that financial data. Insofar as is possible each major marketing function could be tied to its potential impact on one or more aspects of the return on investment model. Specific marketing tasks might also be evaluated for their financial consequences. The approach would help students to think about the role and importance of marketing throughout organizations. Such thinking could be drawn upon throughout his or her studies

and into the real world. It may be possible that such an approach may help to attract marketing majors as the method makes it easier to show what it is that marketers do. Also it seems to give more substance to the activities when they are associated with the "bottom line".

In addition, the approach would add a degree of standardization to the marketing curriculum. A few years ago, Cynthia Scribner (1993) pleaded for new ways to train marketing students. Among the points she made in her analysis, was that marketing students in the same course during the same term with different teachers might not get the same content. The framework herein would help to insure coherence across not only sections of the same class but across the entire marketing curriculum. Some marketing professors may be apprehensive about the idea of teaching material related to finance, but the approach actually avoids the finance part and centers on the marketing aspects. It might also be possible to co-teach or share teaching with a finance professor. For example swapping one or two lectures a term to mutually interface the disciplines.

Still open to the avid investigator is to examine additional textbooks in a tighter research model as one reviewer suggested. The model might be fleshed out in more detail and it might be possible to link customer oriented activities and financial activities in such a way that strategies for both long term survival of the firm and long term relationships with customers can be meshed. A final future effort would be to prepare a finalized model for the American Marketing Association to review and hopefully sanction.

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# SOME EMPIRICAL DATA REGARDING THE STRUCTURE OF MARKETING PROGRAMS

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## ABSTRACT

*A survey was sent to all AACSB domestic member schools in the Fall of 1997 gathering information on the school and their marketing program. Statistically significant relationships were found between accreditation, total university enrollment, and the number of marketing majors/concentrations and the structure of the marketing program. A statistically significant relationship was also found between the structure of the marketing program and the number of marketing courses required of majors/concentrations.*

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## INTRODUCTION

Marketing is a program that is offered by many colleges and universities. These schools develop structures and programs for offering marketing courses. The structures and programs vary depending upon the situation facing the individual school. How much do these structures vary? There is really very little research regarding this issue. The only published study that included some of the same type of information as this study, appears to have been one by Kellerman and Gordon (1997). That study actually reported data that had been collected in early 1990.

## THE STUDY

This study surveyed the entire population of AACSB domestic member schools regarding such things as the structure of their marketing program, the number of courses required, the number of majors, accreditation status, etc. A survey was sent to all 668 AACSB domestic member schools as listed in the 97/98 AACSB Membership Directory. Some of the questions were worded so that comparisons could be made with the earlier Kellerman and Gordon (1997) study. Of the 668 schools, 144 returned completed or at least partially completed questionnaires for a response rate of 21.1 percent. Due to budget limitations, no follow-up mailings were attempted. The response rate is fairly common for this type of study (Kanuk and Berensen 1975). Of the 141 schools responding, we have curriculum information on 116.

The sample included 81 schools (57.4%) that are accredited, 57 (40.4%) that are not accredited, and three (2.1%) that did not respond or provide enough information that we could determine their status. For the population, 49 percent are accredited. The sample also included a slightly higher percentage of public schools compared to the population (61.7% vs. 58%).

## FINDINGS

Information was gathered in regard to the structure of the marketing program, and it was found that basically half (49.6%) of the schools responding offer a major in marketing (see Table 1). A little over a third of the schools (35.5%) offer a major in business with a concentration/option in marketing. A small group (11 or 7.8%) of schools offers a major in marketing with options. The 10 (7.1%) of the responding schools that do not offer one of the above, either offer only a business major with no options or do not offer a business major (they could offer a minor in business or a few elective courses).

Table 2 shows a statistically significant relationship ( $p < .01$ ) between accreditation status and the structure of the marketing program. Accredited schools are more likely to offer a major in marketing or a major in marketing with options than are schools which are not AACSB accredited.

TABLE 1  
STRUCTURE OF MARKETING PROGRAM

School Offers	#	%
Major in Marketing	70	49.6
Major in Marketing with Options/Concentrations	11	7.8
Major in Business with Option/Concentration in Marketing	50	35.5
Other	10	7.1

TABLE 2  
CHI SQUARE BETWEEN STRUCTURE OF PROGRAM AND  
ACCREDITATION STATUS

AACSB Accreditation	Structure of Marketing Program			X <sup>2</sup>
	Major in Business with Concentration in Marketing	Major in Marketing	Major in Marketing with Options	
Yes	23	44	11	11.26
No	26	25	0	p = .0036

Proportionally more public schools reported a major in marketing or a major in marketing with options than did private schools. While the chi square is not significant it is close to the .10 level. When public/private and accreditation status were combined and chi square run against structure, a statistically significant difference was found ( $p = .0284$ ), with public accredited and private accredited both tending to offer a major in marketing and a major in marketing with options proportionally more. The authors believe that a major in marketing and a major in marketing with options suggests a larger marketing course offering. If this is so, then accredited schools both public and private tend to have a larger marketing course offering than do their unaccredited counterparts.

The structure of the marketing program is significantly related to total enrollment at the school. Cross tabulation shows that as school size increases, schools tend to move from a major in business with a concentration in marketing, to a major in marketing, and then to a major in marketing with options ( $X^2 = 22.443$ ,  $p = .0042$ ).

Total university enrollment does not necessarily always accurately indicate the number of marketing majors/concentrations. The data suggests an even stronger relationship ( $p = .0001$ ) between the number of majors/options and the structure of the marketing program (Table 3). Schools with less than 100 students in their marketing program most often offer a major in business with a concentration in marketing. Those with 100 to 299 majors/concentrations are more likely to offer a major in marketing. When the number of majors/concentrations reach the 300+ level, one begins to see proportionately more majors in marketing with options.

The number of courses required in the marketing major/concentration/option is shown in Table 4. Five schools indicated that only one marketing course was required. One has to question whether this is really a marketing program, but in responding they indicated so. The five to seven course range accounts for well over half (60.2%) of the programs. Seven is the most common number of marketing courses, being required by over a

TABLE 3 CHI SQUARE BETWEEN NUMBER OF MARKETING MAJORS/CONCENTRATIONS AND STRUCTURE OF THE MARKETING PROGRAM				
Number of Marketing Majors/Concentrations	Structure of Marketing Program			X <sup>2</sup>
	Major in Business with Concentration in Marketing	Major in Marketing	Major in Marketing with Options	
Less than 100	30	27	1	31.713  p = .0001
100 to 199	8	15	—	
200 to 299	5	12	2	
300 to 399	1	5	4	
400+	2	10	4	

fourth (25.7%) of the schools for which we have the information. An equal number require eight or more courses.

There appears to be a relationship between the structure of the marketing program and the number of courses required (Table 5). Schools with a major in business and a concentration in marketing tend to require fewer marketing courses than do those schools that offer a major in marketing with options ( $p = .0485$ ).

### SUMMARY AND CONCLUSIONS

This study shows that AACSB accredited schools are more likely to offer a major in marketing or a major in marketing with options than are unaccredited schools. It also suggests that the structure of the program is related to total university size and number of majors/concentrations in marketing. The larger the school or the higher the number of marketing majors/concentrations, the more likely the school will offer a major in marketing or a major in marketing with options. Schools with a major in marketing or a major in marketing with options tend to require more marketing courses in their marketing program.

If the structure of the marketing program is highly related to the number of majors/concentrations and the number of required marketing courses is related to the structure, then one can deduce that the number of required courses is likely related to the number of

majors/concentrations. If this is true, then any declining majors may tend to reduce the number of courses required and possibly reduce the number of schools offering options under the marketing major.

A comparison is made in Table 6 with some of the data from the Kellerman and Gordon (1997) study. That information was actually based on the 1988-89 school year while the present study is based on 1996-97 data. Have the number of marketing majors dropped. Two trends existed during the eight year period that resulted in many schools experiencing a drop in marketing majors. One, the number of high school graduates dropped to a low point in 1994 and has since started to again increase. With a two year lag, the 1996-97 figures will not yet show much impact from the turnaround. Also, the percentage of students choosing business as a major has continued to drop. Looking at the number of majors in the two studies, one sees a large drop in the percent of schools reporting over 400 majors and huge increase in those reporting less than 100. One might argue that we have a very different mix of schools in the two studies, but this does not appear to be the case as a comparison of total enrollments shows that the percentages in the various categories were almost identical.

A drop in majors/concentrations would suggest the possibility of a drop in the number of schools offering a major in marketing with options, and this does seem to have occurred (Table 6). One might also predict fewer marketing courses required of marketing



TABLE 4  
NUMBER OF MARKETING COURSES REQUIRED  
IN THE MARKETING PROGRAM

# Marketing Courses Required	Frequency	Percent
1	5	4.4
2	0	—
3	5	4.4
4	6	5.3
5	18	15.9
6	21	18.6
7	29	25.7
8	10	8.8
9	13	11.5
10	5	4.4
11	1	0.9
	113	99.9*

\*Does not equal 100.0 due to rounding.

TABLE 5  
CHI SQUARE BETWEEN NUMBER OF COURSES REQUIRED AND  
THE STRUCTURE OF THE MARKETING PROGRAM

Structure	Number of Marketing Courses Required			X <sup>2</sup>
	1-4	5-7	8+	
Major in Business with Concentration in Marketing	7	23	8	9.563 p = .0485
Major in Marketing	3	35	17	
Major in Marketing with Options	4	4	3	

majors/concentrations and this also appears to have occurred. The earlier study reported approximately one third (33.1%) of the schools requiring less than seven marketing courses, while this study shows nearly half (48.6%) requiring less than seven courses. Many schools

are starting to report increased majors and many believe that the trend is now moving in an upward direction again. If true, we will likely see the structure of marketing programs and the number of required courses change trends as well.

TABLE 6  
COMPARISONS OF SELECTED DATA WITH THE KELLERMAN  
AND GORDON STUDY

Undergraduate Marketing Majors/Concentrations	Kellerman and Gordon Study, 1988-89 Data	Present Study 1996-97 Data
Less than 100	19.0%	43.0%
100 - 199	30	16
200 - 299	16	14
300 - 399	8	8
400 and over	21	11
No Major/Concentration	6	7
Structure of Program		
Major in Business with Concentration in Marketing	32.5%	35.5%
Major in Marketing	50.3	49.6
Major in Marketing with Options	11.5	7.8
None of the Above	5.8	7.1
Number of Marketing Courses Required in Marketing Major/Concentration		
3 or less	—	8.8
4	2.0	5.3
5	14.2	15.9
6	16.9	18.6
7	27.7	25.7
8	19.6	8.8
9	12.8	11.5
10	6.8	4.4
11 or More	—	0.9

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# MANAGERIAL WELL-BEING TRIUMPH OVER JOB-RELATED STRESS

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Millions of salespersons find themselves full of energy and promise in their organization, but then "something happens". The once positive and self-motivated attitude turns bitter, cynical and negative. More and more deadlines may be missed. Tempers may be short. Even deciding whether or not to come in - or call in sick - may be a major decision each morning.

Job burnout is a real problem. It is a condition that is caused by physical, emotional, and mental exhaustion. It depletes the body of energy, clouds thoughts, and may cause forgetfulness. Often, salespersons suffering from job burnout begin to feel helpless, trapped, or defeated. And if the symptoms are not recognized early enough, it may lead to physical and physiological conditions including high blood pressure, skin disorders, ulcers, headaches, asthma, sexual dysfunction, fatigue, work related injuries, lack of sense of humor, neck or back pain, anxiety, digestive changes, depression and/or substance abuse. Because stress reduces the body's ability to fight disease, some even suggest the increase in auto-immune diseases, and cancer may be increased. In fact, " it has been estimated that two-thirds of all visits to family doctors are--in some degree--stress related."

Job burnout most often is a progressive condition caused by a long period of job related stress - an unreasonable boss, lack of time, increased administrative work, vague job assignments, unreachable goals, excessive overtime, impending layoffs, or peer friction. It is important to recognize factors contributing to burnout and deal appropriately with them before they cause permanent damage to the individual and the organization.

"Stress is like electricity entering a fuse box. Too many appliances, too much overload, and the fuse blows." That stress disturbs the functioning of the body has been noted for thousands of years. Following the lead of Heracleitus and Empedocles, Hippocrates (550 B.C.) suggested that stress could lead to disease, and stated that "nature is the healer of disease". Epicurus added that the

mind could also influence the healing process. More than 2,000 years later, physicians, psychologists and physiologists are demonstrating just how the brain gives orders to the body. Although it is impossible to completely rid a life of stress, it can certainly be reduced to a safer level for salespersons' well-being. Realistic goals, life simplification, learning to say "halt", taking time for oneself, and living a healthy lifestyle go a long way to relieve the stress associated with job-related stress.

Well-being is a state of physical health and psychological wellness that allows for better functioning in a dynamic environment. This state implies the ability to balance personal and work life, and is associated with physical, psychological, social and spiritual health. Every person experiences this state of well-being in different ways, and each individual must uncover what optimizes their ability to achieve this.

To be able to work effectively with and for others, whether in the sales, teaching or the medical profession, a person must have their own basic needs met first. Most individuals require stimulating and challenging work with regular feedback from superiors. They desire pleasant surroundings, supportive relationships with their peers, companionship both on and off the work site, sufficient time to relax and recreate, adequate rest and proper nutrition. Unfortunately, these needs and desires are usually not taken into consideration in today's demanding organizations. Whether triggered by stress-related illness, suicidal thoughts, poor on-or-off the job interpersonal relations, or substance abuse, the problem must be addressed.

Treatment and prevention measures and similar. Because some of the steps seem so common-sense, however, they often are either eliminated by an individual or seriously neglected.

Rest. Adequate and restful sleep is one of the most important steps to maintaining or recapturing well-being. Unfortunately, many sales personnel give it up to

meet deadlines, or on the false assumption that something, anything, is more important than allowing the body to recoup. But just as a machine cannot be run continuously without any downtime to maintain and repair, neither can the human body. Find the amount of sleep needed to feel rested (most adults range from six to ten hours) and get it. Continuously doing without, and even worse forcing the body to go on with drugs, including caffeine, is the prescription for illness.

Stress Management. Stress in and of itself is essential sometimes to allow the body to overcome particular situations. It is the prolongation and accumulation of stress in a person's life that is damaging. Over time, among other serious effects, stress can suppress our immune systems and modify the effects of many hormones in the body and can be very detrimental.

Medical research has discovered over the past few decades what philosophers and scientists have suspected for thousands of years. A person's responses to events have a direct effect on health. The mind and the body are in constant communication. And health, whether mental or physical, has a major impact on how an individual performs in all areas of life.

For some, stress is a learned reaction. Lack of control and poor self-esteem, and increased workload worsens stress. Often it is the reaction to circumstances that determines whether stress will be harmful or not; individuals can choose to react with fear, uncertainty and doubt, or to see a new situation as new and challenging. A sense of control of a situation defines the difference whether or not the stress is ultimately bad or good.

Although it is impossible to completely eliminate stress from life, it can be reduced to a safer level. Proactive remedies include setting realistic goals, learning to say no, not feeling guilty when not measuring up to someone else's artificial standards, and most of all taking time for oneself.

Nutrition. An automobile cannot run on soda pop or on empty and neither can a person for very long. For the body to operate at optimal levels, proper nutrition is a requirement. Not only can proper nutrition help prevent cancer, heart disease, hypertension and obesity, but it provides necessary ingredients to stave off fatigue, weakness, blindness, constipation, confusion, inflammation, growth retardation and poor healing. Too many diets today, full of fats, refined grains, white sugar, chemicals, carcinogens, and inadequate fiber give the body obstacles to functioning well.

Rather than giving out long lists, common sense is the rule here. Fresh fruits and vegetables, whole grain cereals, breads and pastas and less red meat and chemical preservatives would go a long way to get back on track. Keeping fat intake to less than thirty percent of total calories will not only make one feel better, but look slimmer as well. Drink more water and less alcohol, coffee and cola. Use sugar as an occasional supplement, not a regular item.

During times of stress, especially pay close attention to diet and feel the positive results. When stressed out, instead of reaching for coffee, alcohol, or dessert items, drink fruit juice, green tea or have a piece of fruit. While junk food may seem a comfort food in times of stress, it also provides high calories and often depletes energy even more. Even if a person considers their diet fairly healthy, consideration should be given to taking a vitamin and mineral supplement every day to "fill in" nutrients which may be lacking in today's highly processed foods. Acute and chronic stress leads to losses of both vitamins and minerals. A multiple vitamin/mineral combination pill is useful to replace the loss. Taking mass amounts of any one substance on the latest "best seller" list can be dangerous and supplementation of unique substances or mega doses should only be done with a physician's close supervision.

Exercise. Physical fitness plays a crucial role in staying healthy psychologically, physiologically, emotionally and intellectually. Particularly, aerobic exercise provides increased cardiovascular and respiratory endurance. Twenty minutes of exercise every other day will strengthen the heart and lungs while decreasing body fat. Vigorous aerobic exercise can reduce the level of pulse-quickening hormones released during stress and stimulate a sense of well-being. Exercise also helps diminish stress and builds muscle strength while reducing tension.

For those who think gym exercises are a boring activity, try dancing, biking, swimming, tennis or the martial arts. Finding only 20 minutes a day often means watching TV while riding an exercise bike. And it is a lot more boring and time consuming repairing damage to a heart in a hospital setting after the fact. Get a buddy, train for competition, change routines - whatever it takes to exercise is what needs to be done.

Time Management. Rule No. 1 is: there will never be enough time to do everything. As a result, salespeople get stressed out as deadlines loom and quotas rise. There are steps that can be taken to minimize the

stress, however.

First of all, don't become overwhelmed with what has to be done and become paralyzed into doing nothing. Sit down at a time where there is less to do and write down EVERYTHING you can think of that must be done, whether important or important, personal or business. (This list will grow when proceeding with the task.) Now take two clean sheets of paper. Label one "immediate" and one "future". Using the original list, divide the items between the two new sheets of paper. Finally, using the "immediate" sheet of paper, puts on dates, or at least put the items into priority time order. It may be necessary to rewrite this sheet so the priority importance is evident. Work from this list first. Do not get bogged down stressing over things that can be put on hold or use limited valuable time doing the things which can be delayed, while really important matters go unattended. (One wouldn't want to stop and dust a house that was on fire!) If only one or two things off of this list is accomplished, a person feels less stressed because important matters are being taken care first. Line through items which have been completed. This is not only time-saving because finished tasks are not being re-read, it is a wonderful psychological lift to be able to strike through and feel a sense of accomplishment. As new items are added to the list, keep them in priority order. At least once a week (some salespeople do this the first thing every morning) read through both lists. Often one finds some things do not have to be done at all, or the priority order has changed from more or less important. Some people use date planners or computers to do this task. It isn't important how you do it, or how expensive the system you use to do it, it is just important that you JUST DO IT and do it consistently.

Developing good time management habits will pay tremendous dividends. Not only are more, and more important things accomplished, but eventually a bank of

some leisure time will be accumulated when time can be taken "to smell the roses."

Realism. Well-being in today's stressful world encompasses three overlapping but distinguishable spheres. The first is taking care of basic physiological needs first. If one is not in prime physical and mental condition, one will be unable to do what is necessary to keep and progress in work - even assuming one is aware of what that is. Adequate rest and good nutrition will be the primary way this will be accomplished. The second is taking care of psychological needs. Stress management and exercise will contribute greatly to stress reduction and helping one feel better about themselves. This coupled with being realistic about what can be accomplished will provide a more positive attitude about life. No task, no learning, is more important or more beneficial.

Successful salespeople are not all-knowing, superhuman individuals. That is absolutely impossible, as all are human beings with a limited capacities. Uncertainty is not a sign of weakness, but a sign that one recognizes there are problems and/or multiple solutions. Actually, recognizing and admitting one has doubts is a sign of strength if it is admitted to and worked on anyway. Others do not always have to come first. If a salesperson neglects himself, he will not be able to function to provide for clients, family or himself.

Keep in mind that however one gets into the field in which they are, they are capable of doing a good job. Everyone has a special talent or gift. Share gifts and talents with others and encourage others to share theirs as well. This will establish a support system from which everyone will benefit.

"If we don't change our direction, we are likely to end up where we are headed." - Chinese proverb

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# THE BUSINESS IMPACT OF INTRANETS

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## ABSTRACT

Many companies are growing and expanding globally. Because of this growth and global expansion, businesses need to share information with employees, clients, suppliers, and customers all over the world. In the past, distributing company information and keeping it updated has been difficult; using an Intranet can help businesses improve their communications and become more competitive and profitable.

The Intranet is Internet technology used in-house. It is compatible with existing systems and does not require changing existing applications or network protocols that have been established. Computers owned by the company usually host the company's Intranet.

The Intranet can be used in a variety of ways. For example, employees can look up benefits information and policies, engineers can publish design ideas and collaborate on projects, and sales representatives can retrieve product information, presentations, and training packages.

Today's dynamic, fiercely competitive marketplace demands that businesses bring new products to market in shorter periods of time. They must also provide higher levels of customer service when selling commodities. Slow reaction to changing trends and market conditions risks a company's losing market share, market position, and customers. To meet the demanding marketplace, an Intranet is one of the cheapest ways to work more efficiently--increasing productivity and controlling costs.

The purposes of the proposed presentation are as follows:

1. To explain what an Intranet is.
2. To discuss the advantages and disadvantages Intranets.
3. To give specific examples of how companies use an Intranet.

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# ECOLOGICAL SUSTAINABILITY AND MARKETING STRATEGY: REVIEW AND IMPLICATIONS

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## ABSTRACT

*Present-day environmentalism tends to focus on a philosophy of sustainability aiming at combining ecological and economic concerns, and is having significant impacts on key organizational processes. This paper reviews how environmental concerns may be spawning alternative approaches to marketing strategy to deliver value-added and to potentially establish a source of competitive advantage.*

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## INTRODUCTION

Since the early 1990s, a renewed interest of the marketplace on ecological concerns surfaced. Not only is the relationship between humans, organizations, and the natural environment being redefined, but the implications thereof are being reinterpreted. Because of this, perceptions are either being formed or reevaluated on issues such as the environmental friendliness of products, recyclability, waste reduction, the costs associated with pollution, and the price-value relationship of environmentalism (*Consumer Reports* 1991; Lozada & Mintu-Wimsatt 1998; Magraw 1994; Ottman 1998; Schmidheiny 1992). Pressure from various stakeholders - government, special interest groups, consumers - is placed on businesses, which in turn keeps them under constant and unrelenting watch in their daily operations. A direct result can be seen in the stricter regulations imposed by federal and local governments. Additionally, consumers are also becoming more outspoken regarding their needs for environmentally friendly products, even though questions remain on their willingness to pay a higher premium for such products (see Ottman & Terry 1998).

Although environmentalism poses many challenges to American businesses, it also presents opportunities to capitalize on the demand for greener products (Ottman & Terry 1998). Thus, the main focus of this article is to explore the impact(s) that present-day environmentalism is having on the marketing function. Particularly, we survey how contemporary ecological tenets may be reshaping traditional marketing tactics or even triggering alternative approaches. We first contextualize marketing within current environmental views. Then, we proceed to explore some specific issues that have been levied in the literature regarding a key marketing function: product

development and management. We then examine the strategic repercussions of contemporary marketing approaches to ecological concerns.

## ECOLOGY AND SUSTAINABLE

### DEVELOPMENT

Sustainable development, a concept originally popularized by the 1987 report titled *Our Common Future*, proposes that future prosperity depends on preserving "natural capital"-- air, water, and other ecological treasures-- and that doing so will require balancing human activity with nature's ability to renew itself (WCED 1987). Within the realm of business, this idea refers to development that meets the needs of business organizations without compromising the ability of future generations to meet their own needs. The goals of economic and social development must, therefore, be defined in terms of sustainability. In this context, development is taken to mean a progressive transformation of economy and society which is sustainable in a physical sense.

Mintu & Lozada (1993) defined *green marketing* as "the application of marketing tools to facilitate exchanges that satisfy organizational and individual goals in such a way that the preservation, protection, and conservation of the physical environment is upheld" (p. 17). Green or ecological marketing activities entail much more than image building (Henion & Kinnear 1976; Lozada & Mintu-Wimsatt 1998). The ecological concerns of Henion & Kinnear (1976) would be integrated into the strategies, policies and processes critical to the organization. Green marketing imparts an ecologically proactive role on marketing organizations. It fosters not only sensitivity to the impact that marketing activities may

have on the natural environment, but also encourages practices that reduce or minimize any detrimental impact. The philosophy of sustainable development provides additional impetus to green marketing by emphasizing that environmental protection does not necessarily negate economic prosperity, but encourages a rethinking of how we engage in marketing activities.

### **PRODUCT MANAGEMENT AND GREEN STRATEGIES**

A green marketing approach in the product area promotes the integration of environmental issues into all aspects of the corporation's activities, from strategy formulation, planning, construction through production and into dealings with consumers. Czinkota and Ronkainen (1992) propose that "corporations will have to find solutions to environmental challenges through marketing strategies, products, and services in order to remain competitive" (p. 39). These include: (1) new technologies for handling waste, sewage and air pollution; (2) product standardization to ensure environmentally safe products; (3) providing "truly" natural products; and, (4) products oriented toward resource conservation and greater occupant health (Czinkota and Ronkainen 1992). These solutions assure the company of a legitimate role in providing society's needs as well as the opportunity to achieve industry preeminence (Murray and Montanari 1986). They also underscore potential opportunities for the development of products/services. For example, refurbished office equipment has entered the market with the backing of a powerful name (Xerox's Eco-series and Renaissance copiers). Although some would look at these changes as threats and/or added expense, visionaries within business firms are realizing that there also are real opportunities in environmental developments for those ready to recognize and capitalize on them.

#### **The Greening of Product Life Stages**

Green marketing forwards the notion that companies should be concerned with what happens to a product during and after its useful life. Companies may manifest this concern through experimentation with ways to reassess and redesign the product life stages. Life cycle reassessment focuses on environmental considerations in product development and design, including energy and material inputs and outputs in production, consumption, and disposal of products (*Corporate Environmental Practices* 1994). We would then manage the life stages of a product in an environment friendly and eco-efficient manner. *Eco-efficiency* refers to the proper timing for the

use or consumption of natural (and oftentimes scarce) resources so that nature is afforded an opportunity to renew itself. The life stages of products would include the following:

Stage 1: Development stage. Traditionally characterized as the acquisition of raw materials, component parts, and subassemblies. The alternative approach advocated here encourages manufacturers 1) to check the environmental programs of suppliers, 2) to require minimal packaging of inputs, and 3) to consider sources of materials that could be easily replenished or that are recyclable.

Stage 2: Production stage. Manufacturing companies are encouraged to reduce emissions, toxicity, and waste, and to conserve water and energy. Companies are also encouraged to seek and develop alternative uses for waste products (i.e., waste recovery process), to revise the manufacturing process(es) to minimize waste generation, to minimize energy use, and/or to attempt to find alternative sources of energy.

Stage 3: Consumption/Usage stage. Minimization of packaging, conservation of energy, and minimization of waste from product maintenance and service are strongly urged. Additionally, companies should promote energy conservation and should provide information on recyclability or reuse of the package or "dead" product.

Stage 4: The final stage of a product is its disposal. Green marketing introduces the concepts of reuse and recyclability, in addition to the concept of waste reduction (cf., *Corporate Environmental Practices* 1994).

#### **Design for the Environment**

Coddington (1993) asserts that *Design for the Environment* (DFE) has emerged as a philosophy of integrating environmental considerations into the design process of both product and packaging. There are two basic tenets: (1) the firm engaged in DFE must internalize environmental considerations and constraints, and (2) the firm must evaluate environmental issues systemically, in conjunction with associated manufacturing, economic, regulatory, social, and political factors (Allenby 1991). Additional considerations inherent in DFE as applied to product and package design are designing for disposal,

designing for nondisposal (recycling), designing for pollution prevention, and designing for resource conservation. DFE strongly encourages the development of ideas that would incorporate waste reduction into production processes, recycling of products and/or packaging, that would make products compostable, or that would help facilitate changes in the process of design while adding more benefits than costs to the organization.

### **Total Quality Management for the Environment**

Friedman (1992) advocates that Total Quality Management (TQM), an increasingly popular concept related to the management of both the product and the production processes, needs to integrate environmental management issues. Commitment to quality now refers not only to the traditional production concept, but to environmental quality as well. Currently, our concern is with the total yield of the production and product marketing processes, including waste and pollution.

*Recycling.* Regulatory pressures may account for some of the most creative ideas that have been brought to market. For example, batteries of all kinds contain hazardous heavy metals such as silver, mercury, nickel, cadmium and lead that can threaten underground water supplies. The potential for increased regulatory pressures always faces these manufacturers, including legal requirements to reformulate products or setting up collection programs for the "dead" product. In 1990, Eveready reformulated their batteries to reduce mercury content, meeting regulatory standards two years ahead of schedule and stealing an edge on competitors through trade advertising (Ottman 1994). In 1991 Sanyo introduced rechargeable batteries packed in a container that doubled as a mail-back pack for recycling. When consumers return the batteries, they receive a \$3 coupon good on their next purchase. This action came as a result of focus groups in which they found that consumers consistently told the company that it should recycle, and that their efforts would be rewarded (Lipton 1992).

*Waste Reduction, Pollution Prevention.* In addition to the concept of eco-efficiency mentioned previously, *manufacturing for disassembly* has also gained momentum as the recycling of materials and energy and resource conservation are more plausible thanks to technological change. Additionally, since all natural and industrial processes generate waste, and waste becomes pollution when it exceeds the carrying capacity of the environment (Schmidheiny, 1992), finding ways to prevent pollution before it happens has become critical. To a large extent, companies are realizing that pollution

is a sign of inefficiency and added cost, and that waste represents raw materials not sold in final products. Schmidheiny (1992) contends that the combination of the above with mounting public expectations, increasing regulatory pressures, and the tightening of competitive conditions may account for the adoption of the logic of pollution prevention by a significant number of companies worldwide. For 3M, the Pollution Prevention Pays (3P) program, in place since 1975, is being hailed for having saved over \$500 million by eliminating or reducing capital expenditures and operational expenses (Frause & Colehour 1994). Oftentimes, an implication inherent in pollution reduction programs is restructuring in the form of materials substitution. The search for substitutes is acting as a trigger for innovative solutions (e.g. Volkswagen's switch to water-based paints for their automobiles and IBM's phase out of CFCs in electronic production. The *zero pollution* targets (i.e., no emission of pollutants into the ecosystem) set by many U.S. companies (e.g., Monsanto, General Dynamics) approximates the zero defects pledge brought about by total quality management. Additionally, regulatory actions like the 45 product disposal bans enacted in 1991 by 12 states have persuaded manufacturers to design their products for remanufacture, recycling, and repair (Ottman 1994). New designs that would allow for easier disassembly and recycling of parts, and minimization or elimination of non recyclable parts/materials have already entered the market.

### **STRATEGIC IMPLICATIONS**

Implementing a philosophy of sustainability in the practice of marketing would require businesses to become more sensitive to the efficient use of all resources over a longer period. In particular, the loss of natural resources may significantly affect a company's product line and overall production process(es). This change in orientation, from short- to long-term, would be part of any requisite structural changes (e.g., changes in corporate culture and communication and information systems). Perhaps the most persuasive argument is that waste represents costs to organizations, therefore waste reduction, reuse of materials, and recyclability are important cost savings activities in the long-run. Marketers should be encouraged to assess the cost of new laws and regulations, the cost of endless litigation, and the potential loss of competitive position(s) as integral and critical components of an ecological approach (Coddington 1993; Frause & Colehour 1994). Additionally, firms should thoroughly consider the implications of a potential loss of corporate and product credibility due to perceptions of inaction (i.e., totally

bypassing any environmental initiative) or forced compliance (i.e., environmental actions are pursued only when mandated by regulations).

Kleiner (1990) asserts that people who try to radically change corporations from within are often stymied. "Corporate culture and political pressures provide almost insurmountable resistance against any sudden and even enlightened change" (Frause & Colehour 1994, p. 110). Frause & Colchour (1994) advocate that perhaps the solution to this dilemma lies between "saving it all" (limits to growth environmentalism) and "using it all" (unbridled capitalism). The issue then becomes one of educating managers along the lines of cost-benefit on the one hand, and along the lines of social responsibility or the role and obligations that organizations have as active participants of the social system within which they operate.

While a significant number of American consumers could be considered as potentially "green," marketers are still cautious in approaching this segment. In 1991, a *Wall Street Journal*/NBC News survey reported that 46 percent of American consumers bought products based on the manufacturer's or product's environmental reputation within the last six months (Frankel 1992). Likewise, Gallup surveys conclude that more than 75 percent of American consumers factor in environmentalism in buying decisions (Kleiner 1991). More recently, however, the 1996 Green Gauge Report released by Roper Starch Worldwide (US) showed that the percentage of Americans willing to pay more for environmental products has declined from 11% in 1986 to 5%. As Ottman & Terry (1998) point out "marketing greener products will have to entail more than attaching a green label or featuring images of wildlife in media advertisements!" The crux lies in developing environmentally sound products for which consumers believe there is value-added, and therefore, they will buy. In developing value-added on ecological bases, organizational leaders would have to establish a level of environmental commitment that is most suitable and feasible given the conditions that the organization faces.

Companies that have adopted some type of environmental accountability have found some benefits in the adoption of an ecological approach. Some of the activities that have been implemented include: (1) building consumer demand for green products (e.g., Rubbermaid's litterless lunch box); (2) spending revenues to educate buyers (e.g., First Brands' informational brochures such as "The Good Environment Guide"); and, (3) building new infrastructure to facilitate recycling

(e.g., Kraft-General Foods' recycled plastic for its salad dressing) and prevent pollution (e.g., 3M's Pollution Prevention Pays program; the first eco-mall in Santa Monica). Being branded a green company can be potentially beneficial to business organizations. The green image generates a more positive public image which can, in turn, enhance sales, increase stock prices, and open access to public capital markets (Marshall & Mayer 1992). A green image may enhance the overall perception of product quality and when coupled with the environmental benefits inherent in a product and/or its use may provide the added value that consumers would favor (Ottman & Terry 1998). However, note that even seemingly "simple" things have a significant effect on the marketing of certain products. For example, product managers need to be aware that several states, including California, New York and Rhode Island, are controlling the use of environmental terms (e.g., "recyclable" and "recycled content") in product labels (Marshall & Mayer 1992). Changes in regulations will influence marketing decisions and strategies that an organization may pursue.

Consideration for the natural environment will have to be embedded in the product mix if a fully integrated green marketing strategy is to be achieved. The constraints imposed by the limited availability of natural resources will mandate a re-orientation in the design, development, and management of products and services. In this regard, Lozada & Mintu (1995) suggest that one of the most important impacts of environmentalism on marketing is in the management of creativity and innovation, and, particularly in the [new] product management function. Critical tasks regarding product decisions, including design and development, full commercialization (including issues of distribution, advertising and public relations, and pricing), and product or package disposal, would have to be reassessed (Lozada & Mintu 1995).

Certainly, the environment as a limited resource is forcing us to face the unique challenge as citizens of the world. A major concern stems from the accelerated way in which our planet's natural assets are being depleted. The actions of businesses, governments, and the public at large all contribute to this problem. Lozada & Mintu (1995) suggest that the actions of, and interaction between these three sectors can not only be a cause of environmental problems, but it also where creative solutions are to be found. As Ottman & Terry (1998) suggest the added values that the direct benefits of greener products have (e.g., money savings or the potential for self actualization) should not be overlooked.

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# BURNED POPCORN AND BROKEN CRYSTAL BALLS: BEWARE OF FALSE PROPHETS BEARING FOOD

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## ABSTRACT

*This paper will attempt to debunk the myths that The Popcorn Report promulgates. The paper is not meant as an attack on Popcorn, but as a reminder to business people (practitioners and academics alike) that fortune telling is not a science and should be used with care.*

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## INTRODUCTION

Recently, the Psychic Network went bankrupt. The psychics involved failed to predict its demise. So much for fortune-telling. Yet all sorts of business people seek to predict future trends. How useful are these predictions? In the late 1980's, Faith Popcorn forecasted the trends of the 1990's, and published her *Popcorn Report*. While her forecasts were (and still are) eagerly swallowed by the uninitiated, serious students of business should be skeptical of conclusions drawn on no more than opinions. The purposes of this paper are to inspect her forecasts on *The Popcorn Report* and to attempt to debunk the myths that *The Popcorn Report* promulgates with the use of evidence to the contrary.

Her forecasts and implications on *The Popcorn Report* are not supported by data, but instead are based on opinions dressed up in user-friendly languages. There are ten major 90's trends that Popcorn forecasted. Cocooning, Fantasy Adventure, Small Indulgences, Egonomics, Cashing Out, Down-Aging, Staying Alive, The Vigilante Consumer, 99 Lives, and S.O.S. Interested readers may wish to consult the book itself, or summaries of it in popular business texts (e.g. Kotler and Armstrong, *Marketing Management*) We will not, however, regurgitate Popcorn's report here.

How accurate are all these trends Popcorn forecasted for the 1990's? Also, are Popcorn's implications about these trends effective for companies? Based on evidence that we have gathered, the answer is no. In particular, five of Popcorn's ten trends are totally wrong. They are Small Indulgences, Staying Alive, The Vigilant Consumer, 99 Lives, and S.O.S.

## Small Indulgences

According to Faith Popcorn, people are pursuing small indulgences for all goods and services instead of big indulgences in the 1990's. However, she did not explicitly define what small or big indulgences are. Although Popcorn defines Small Indulgence as "an indulgence of senses...without the stress of worrying about the cost" (Popcorn 1992, p. 40), she does not clarify what levels or sizes are included in Small Indulgences. For instance, let's consider the watch industry. Can we say that if a person buys a Rolex, the person pursues a big indulgence? Or if another person buys a Seiko watch, does the person seek a small indulgence? The answer is unclear because it depends on each person's normal consuming behavior. If a person usually spends 5,000 dollars to buy a watch, purchasing a Rolex may not be a big indulgence. The hotel industry is another example. Does staying at the Ritz Carlton constitute a big or small indulgence? As each person has own unique consuming behavior, we cannot say what Small Indulgences are. And without knowing that, what good is the prediction?

Also, if the implication of Popcorn is right, owners of expensive and big cars have to be less satisfied than owners of cars that are relatively low priced and small. However, according to *USA Today*, "owners of big, expensive sports-utility vehicles [that are the best-selling vehicles in the 90's] love their trucks more than owners of most other vehicles do. [Moreover,] owners of smaller sports utilities are less satisfied with their theirs, and aspire to bigger, more luxurious SUVs" (Healey 1998, p. B1). People want to purchase big and expensive cars more than cars that are relatively small and low priced.

Therefore, Small Indulgence is not only meaningless but also wrong.

### Staying Alive

According to Faith Popcorn, there will be a hyper-quest for health in the 1990's. Therefore, it would suggest that people do not want to eat foods that are bad for their health. However, reality says otherwise. According to *Dow Jones Interactive*, the steakhouse industry has rapidly grown in the 90's. The revenues of Outback Steakhouse, leader of steakhouse industry, increased 155% from 1994 to 1997, and its net income also increased 82% from 1994 to 1996. In 1997, although the ratio of Revenue/Assets of the restaurant industry was 98%, the ratio of Outback Steakhouse was 216% (Dow Jones Interactive 1998). Also, another major contender of the steakhouse industry, Ryans Family Steakhouse, recorded 34% increase of revenues and 19% increase of net income during 1994 and 1997 (Dow Jones Interactive 1998). According to *Technomic*, a market research firm in Chicago, "it is true that, just as Prohibition caused a boom in speakeasies during the 1920's, the 1990's taboo against red meat has helped boost revenues at mid- and high-priced steak houses 27 percent annually since 1991 to 1997" (Emert 1997, p. B1).

The growth of the Fast Food industry, another popular junk food, is strong, too. McDonalds, the world leader of burger shops, recorded revenue increases of 37% and the net income increased 25.5% from 1994 to 1997 (Dow Jones Interactive 1998). Also, the net income of Kentucky Fried Chicken increased 10%, and its same store sales grew 8% in 1995 (<http://www.career/mosaic.com/cm/kfc/kfc1.html>). Domino's Pizza recorded a 65% increase in pre-tax profits during 1995 and 1997 and built 300 new stores alone in 1996. Moreover, Domino's Pizza's same store sales growth was nearly 15% during 1996 and 1997 (<http://www.dominos.com/info/1997.html>).

Popcorn indicated that the 90's would see consumers in a hyper-quest for health. However, the organic foods that are the representatives of healthy foods because they are grown and proceeded without pesticides, synthetic fertilizers, or hormones, have not been popular. It is estimated that only 1 percent of national food sales is for organic foods (Coorsh 1998). Although people have been interested in the organic foods, the organic food industry has not achieved rapid growth in the 90's because of the problem of high price (Steyer 1997). According to *American Demographics*, "high costs and

weak market demand are holding organic foods to less than 1 percent of U.S. agricultural output," and "it's a problem of consumer demand" (Fost 1992, p 17). For instance, the Organic Café was ready to take a city in New Jersey in the beginning of the 1990's. However, one year later, the Organic Café changed its name to Café Metro, abandoned its all organic policy, and lowered prices because of the poor reputation of consumers. Moreover, there is still no national standard definition for the term "organic" (Sugarman 1997).

Moreover, if Popcorn were correct, the number of health clubs should have continually increased since the beginning of the 1990's. However, according to *Marketing News*, "the number of [health] clubs fell from 13,845 in 1990 to 11,544 in 1993, [and] membership was flat from 1989 to 1992 at around 16.5 million" (Rubell 1995). It is no wonder, then, that in a recent survey reported by *USA Today*, (June 9, 1998) 76% of American adults felt they were overweight in 1998, compared with just 56% in 1984.

### The Vigilante Consumer

According to Popcorn, the power of the consumer is very high, and companies have to be accountable to consumers. Therefore, she implied that "new" no longer would be a compelling selling point in the 90's. Moreover, "new improved" will not do much for consumers either. How true is this?

In the beginning of 1998, PepsiCo dropped its red-white-and-blue packaging and adopted a new blue-background design (Wall Street Journal 1997, p. B4). Coca-Cola announced a new labeling plan (Kirk 1997). New models of cars are tempting people to wander the showrooms of car dealers in the 90's (Lienert 1998). Like this, adopting new design and new labeling are still important strategies for gaining customers' attentions. Particularly, the number of the appearance of new labels has been too large, and as a result, the government established new labeling laws in order to protect consumers from improper labels in the middle of the 90's. In 1997, marketers spent \$20 million to \$50 million to launch a new product successfully, and 25,000 new items appeared. The number of new products in 1997 was almost twice as many as in 1989 (Lukas 1998).

Moreover, Popcorn implied that return policies of retailers will be eased. However, during the 1990's, retailers have restricted their return policies more and more. *The Wall Street Journal* reported in 1996 that stores were pulling back their return policies because of



too-frequent abuses of customers (Lee 1996). For instance, Best Buy has cut 30-day return periods to five days, and some stores of its stores are attempting to verify defects before refunding customers' money once the return period has expired (Longo 1995). Circuit City is charging a fee to consumers seeking refunds or exchanges on the items (Gilgoff 1998). Wal-Mart has abandoned its open-ended return offer and set a 90-day limit for most items, and L.L. Bean has started to be more restrictive about returns. (Five Star Lift 1996). Popcorn made forecasts about The Vigilante Consumer. However, her crystal ball failed her.

### 99 Lives

Time is of the essence and people require speed in all things. From this idea, Popcorn forecasted that all-in-one service shops that sell different goods and services in one location would achieve the rapid growth in the 90's. The most typical representative of the all-in-one shops is the shopping mall. Because there are a lot of shops in a shopping mall, people can do one-stop-shopping in a shopping mall and save time. Have shopping malls rapidly grown since the start of the 1990's? The actual growth of shopping malls was only 2 percent in 1997 (Barron 1998). ERF Yarmouth that manages 85 malls announced that there is not going to be real fundamental growth for shopping malls (Barron 1998). A 1994 Roper Starch Worldwide survey says, "only 10 percent of Americans say that they [buy goods and services] at malls very often, down from 16 percent in 1987. And twice as many people in 1994 than eight years earlier say they did not go at all, at 24 percent" (Cavanaugh 1996, p 14). In a 1994 survey by Maritz Marketing Research, one-third of US adults said they shopped at enclosed malls less frequently than they used to, and the percent of adults who were heavy mall shoppers decreased from 17 percent in 1990 to 14 percent in 1994 (Cavanaugh 1994). According to a 1996 survey by American Express and Coopers & Lybrand, 53 percent of consumers felt that shopping malls are not as safe as they used to be, and only 37 percent of consumers prefer one-stop-shopping (Lucas 1996). These surveys indicate that shopping malls have not achieved rapid growth, and consumers are going away from shopping malls.

If Popcorn is correct, category killers, offering big selections in a particular category at discount price, would not experience the growth. They are the opposite to all-in-one shops because if you go to a category killer, you find only one kind of good. However, category killers are rapidly growing in the 90's. *Forbes* magazine said "category killers have brightened an otherwise dreary

retailing since in the 1990's" and "generated about \$550 billion in sales in 1995, a third of total retail sales nationwide" (Morgenson 1996, p 114). Bennet L. Rudolph, chair of the marketing department at Grand Valley State University Seidman School of Business mentioned, "the big trend for the last four or five years – at least – has been ... the category-killers, and that's still the biggest trend" (Karen 1996, p. B1). According to a survey of Price Waterhouse, "consumers in fact are getting more and more accustomed to shopping category killers. They're outstripping non-category killers in profit growth" (Strope 1995, p. 21). For instance, sales at Home Depot has grown 36 percent annually over the past decade, to \$15.5 billion last year. And its earnings have risen 57 percent per year and the number of its stores has more than doubled since 1990 (Morgenson 1996). Also, according to a 1994 annual report of Toys 'R' Us net sales of the company increased 98.7 percent, and the net earnings were up 80.2 percent since 1989 to 1994 (1995, p. 1).

Popcorn's implication that all-in-one shops achieve the rapid growth in the 90's is wrong. On the contrary, category killers, "one-in-one" shops are making success in this decade.

### S.O.S. (Save Our Society)

In the trend of S.O.S., people and companies make efforts to contribute to social responsibility and to protect the environment. Since 1990, the sales of trucks are booming, and average annual growth rate of truck sales was up 9.8 percent during 1991 and 1996. Particularly, the sales amount of the Sports Utility Vehicles (SUVs) is rapidly increasing, and in 1996, the sales of SUVs were up 15 percent (Takahashi 1997). In 1993, General Motors reported record second quarter profits as a result of strong truck sales (Murray:1994). Meanwhile, Ford's total truck sales were up 10.2 percent in April in 1994, the seventh straight monthly sales record for trucks (Gleason:1994). Since then, Ford's F-series trucks have been the best-selling vehicles in America. Similarly, Chrysler's current success results from the large amount of sales of trucks. Although GM gets 45 percent of sales from trucks, and Ford gets 55 percent of them, Chrysler's 65 percent of its sales come from trucks (Taylor 1996). According to *Orange County Register*, the percentage of new trucks equipped with diesel engines nearly doubled during 1989 and 1993 (1994, p. a3). Although truck engines and diesel engines are the causes of air pollution, the sales amounts of trucks and cars equipping diesel engines are increasing. People have not avoided buying



cars that cause air pollution. Indeed, they are buying more!

Another implication of this trend would be that charitable donations from companies and people for saving society should have rapidly increased in the 90's. Let's look at the facts. United Way is one of the largest companies that raise donations. Donations to many United Ways fell from 1991 to 1996. All 1,300 local United Ways reported raising \$3.25 billion in 1996, but this was 11 percent less than in 1991 (Johnson 1998). In Maryland, one of the states where the state government has increased donations, the donations of households had decreased since 1991 to 1996. In 1996, only 69 percent of households reported giving to charities, and this was the lowest percentage since the survey group began issuing reports in 1988 (Kendall 1996). The amount of donations has not increased in the 90's, and the second implication of this trend is not correct. Among the *Fortune's* top 10 "most admired" companies in 1998, only Johnson & Johnson use the word "social responsibility" in their missions or objectives or letters to shareholders. This means that 90 percent of these reputable companies are not giving social responsibility

the kind of importance that Popcorn predicted.

## CONCLUSION

Faith Popcorn forecasted 10 trends in the 90's on *The Popcorn Report*, but according to this research, implications of five trends of ten have significant problems. In the real business world, a 50 percent error rate is unacceptable. Would you as a manager invest in a project that has a 50 percent failure rate? Would you as an individual buy a car that will fail to run 50 percent of the time? Would you as an employee work for a company that has a 50 percent chance of going bankrupt tomorrow? What is the problem of the Popcorn's forecast about trends in 90's? The answer is that her forecast is too broad, and people can infer too much from the forecast. The purpose of this paper is not to attack Popcorn's forecast, since some implications of trends she forecasted are very useful. However, trusting someone's forecast too much is very dangerous in the business world. In conclusion, business people have to remember that fortune telling is not a science and should be used with care.

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# RETAIL GROSS PROFIT: A STAGE BY STAGE ANALYSIS

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## ABSTRACT

*Retail gross profit percentage is not a single measurement but a series of measurements based on the product's stage in the distribution channel. This paper performs a stage by stage analysis of retail gross profit identifying the adjustments made to gross profit and the parties responsible for the adjustments.*

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## INTRODUCTION

Retail gross profit is the difference between the amount of the retail sale and the acquisition cost of the item sold. In a few retail establishments, such as heavy equipment or automobile dealers, specific identification can be used to easily determine both the cost and the retail of each item sold. However, for most retailers the calculation of the retailer's gross profit becomes more difficult.

Even those retailers with sophisticated point-of-sale (POS) systems cannot exactly determine gross profit. There are too many events that impact gross profit that occur outside the POS measurement vehicle which remove exactitude from even the best system. Gross profit calculation in retail organizations must therefore be an estimation. This fact is not often understood by accountants and managers without a retail background. Manufacturers and others who are used to detail process costing or job costing cannot understand the difficulties in retail gross profit estimation.

This difficulty is further masked because retailers use a simple, basic formula to calculate retail gross profit during any accounting period:

$$\text{Retail Sales} - \text{Cost of Product Sold} = \text{Gross Profit}$$

Cost of Product Sold for an accounting period is also determined using another simple formula:

$$\text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory} = \text{Cost of Product Sold (Cost of Sales)}$$

The amounts needed to determine gross profit are retail sales, which are readily available from cash register

or other readings; purchases, which are available from warehouse shipment records or invoices received for product delivered directly to the store, and inventory balances. The problem is in the determination of the inventory balance. The ideal method is to take a physical inventory of the retail stock at the store and cost each item at its original purchase price. This is impractical as retail physical inventories are expensive and disruptive to store operations. Specific identification of each item's cost may be very time consuming. Therefore, except for high dollar value, low quantity inventories, retail physical inventories are usually not performed at the end of every accounting period and the cost of products sold in the gross profit calculation must be estimated.

Even when a retail physical inventory is performed there still remains a basic difficulty in the determination of the inventory value. Merchandise at retail establishments are normally accounted for at store level at their RETAIL value; Gross profit determination using the above accounting formulae is based on the merchandise inventory COST value. Even when retail physical inventories are performed an estimation process is required to determine the proper ratio of cost to retail of the inventory counted. This dichotomy between the retail store's operational need to keep track of its inventory at RETAIL and the retail organization's accounting need to keep track of the amount of product sold at COST is the source of many of the difficulties in the management of gross profit at a retail store or a chain of stores.

The practical solution to these estimation problems is for the retail organization to set a cost to retail ratio to be used to determine the cost of inventory maintained at retail (cost/retail percentage), or to set a standard gross profit percentage to be used in the determination of cost of sales and gross profit (gross profit percentage = 1 -

Table 1

Stages of Retail Gross Profit Determination:

STAGE	IMPACTED BY	RESPONSIBLE FUNCTION
<b>Purchased</b> Gross Profit Percentage	Cost Adjustments	Purchasing
<b>Bill Out</b> Gross Profit Percentage	Retail Adjustments	Merchandising
<b>Expected</b> Gross Profit Percentage	Other Adjustments	Store Operations
<b>Achieved</b> Gross Profit Percentage		

cost of sales percentage). This estimation process is not easy. However, it is critical to the successful operation of a retail organization. Inventory cost and gross profit estimation is further complicated in that different functions of the retail organization calculate and analyze these percentages at different stages in the gross profit calculation and each function's view of the gross profit percentage differs in definition from that used by other functional areas of the organization.

There are at least four distinct stages in a retail organization's gross profit percentage determination. Each of these stages will be analyzed and examples will be provided of the normal retail activities which occur and affect the calculated gross profit percentage. Table 1 summarizes the four stages and lists the type of adjustments which impact the gross profit percentage calculated at each stage. The table also lists the corporate function primarily responsible for the adjustments made at each stage.

Each retail organization accounts for gross profit differently depending on its industry practices and the style and goals of the management of the organization. Further, items described below may be treated as adjustments to store gross profit in one organization while the same item may be considered a corporate general or administrative expense adjustment by another organization. This may be true even if the two organizations are in the same retail category. Examples provided will be discussed related to a specific inventory item. Most retail organizations do not maintain item-by-item gross profit calculations but combine individual items into product categories or departments when analyzing gross profit and adjustments to gross profit.

### **PURCHASED GROSS PROFIT PERCENTAGE**

A retailer makes the decision to carry a specific item in inventory based on many factors including the normal cost of that item from the supplier. The retail price is then determined by management using the product cost and a desired gross profit percentage per item sold, along with

non-monetary considerations such as competitive pressures and merchandising concerns. The basis of successful retailing is to price the retail product so that the gross profit achieved at the store level is sufficient to cover all the retail organization's operating costs with enough left over to achieve a reasonable return on investment.

When the original retail price is set, the retailer must recognize that adjustments will occur that will cause the final achieved gross profit to differ from the original gross profit used in the original pricing decision.

### **Cost Adjustments**

The decision to carry a product in inventory and the determination of its retail selling price is based on the item's normal purchase cost from the vendor. Often a single cost for each product is found in the purchasing and accounting systems and is used to set a retail price at the stores. However, vendors often make adjustments to the normal purchase price paid. These changes and their accounting have a direct impact on the retailer's gross profit.

Manufacturers and other vendors often allow a price reduction to a retailer if the retail firm orders a minimum volume of a specific product or a product line from the vendor. A manufacturer offers this incentive both to increase sales and to maximize production runs. A wholesaler offers this incentive to manage inventories. "Tiered pricing" systems offer varied discounts based on annualized purchase levels and serve to ensure that this discount is received by the retailer over an entire year as long as the purchase volume remains steady.

Deal allowances are special reductions in manufacturer list price of an item offered over a specific limited period of time. Manufacturers offer deal pricing as incentives for the retailer to carry a large quantity of a particular product. Often manufacturer deals are tied in to the manufacturer's advertising campaign for the discounted product. A deal allowance is not contingent

upon any performance required of the retailer.

A promotional allowance is a special reduction in manufacturer list price of an item which is limited to a specific period of time and is contingent upon the retailer completing a performance requirement related to the manufacturer's product. The promotion may be as simple as a price reduction during the manufacturer's promotional period or as demanding as the preparation of a special display of the product in the retail store. A promotional allowance which is tied in to the advertising program of the retailer is called an advertising allowance. The type of advertising to be provided is agreed upon by the retailer and the manufacturer offering the allowance, sometimes in a joint advertising campaign. The allowance itself may be calculated as a flat fee, a percentage of the advertising cost, or as a discount based upon the volume of sales generated by the retailer during the advertising period. Not all retailers apply advertising allowances to gross profit. Some account for advertising allowances as a reduction of advertising expense.

Incoming freight costs incurred in the receipt of product should be included in the normal cost of the product. Incoming freight savings from back hauls by a corporate transportation department are sometimes subtracted from product cost. Other organizations credit such savings to the transportation department cost center. Outgoing freight incurred in shipping product from a central warehouse to the retailer's retail outlet is normally charged to a transportation department cost center.

Purchase discounts are percentage reductions (normally 1% or 2%) in the amount paid to the vendor if payment is made in advance of the normal due date. There is some argument whether purchase discounts are offered as an incentive to pay early and should be considered financing income to the retailer or whether purchase discounts are a method used by the vendor to offer product at a more competitive reduced cost. The method used to account for purchase discounts is an example of how the accounting treatment of a normal recurring event can directly impact gross profit.

### **BILL OUT GROSS PROFIT PERCENTAGE**

After the above adjustments have been made and the adjusted acquisition cost of the product is known, the determination can be made of the bill out gross profit. The term "bill out gross profit" is often used to describe the gross profit of inventory billed to the store from a corporate warehouse. However, at store level the gross profit of inventory received from the warehouse must be

averaged with the gross profit of inventory purchased directly by the store (called "drop shipments", "store door" or "direct store deliveries"). The term "bill out gross profit" will be used to describe the weighted average combined gross profit of the product received by the store regardless of source (another term in common retail usage is "incoming gross profit").

This bill out gross profit percentage is the responsibility of the PURCHASING function. Further adjustments to gross profit are initiated by other functional areas. Bill out gross profit percentage is normally calculated on a store departmental level. The bill out gross profit percentage will vary from merchandise department to department within an organization due to different departmental competitive and marketing influences. Incoming gross profit percentage will also vary from store to store depending on store product mix.

### **Retail Adjustments**

Once inventory is received at the store, the control emphasis shifts from the product cost to the product retail price. Rarely does an individual store have control over the cost paid for product. However, store operations and store merchandising do have significant influence over the retail price ultimately received for the product.

From the time an item is received at a store with an assigned retail price, events occur which cause the retail price of that item to change. These events must be monitored and accounted for if the retail organization is to accurately determine the actual gross profit achieved by the store. Often permanent changes are made to the retail price of an item. Price changes are usually made in conjunction with a change in cost from the vendor. Permanent changes in retail price are also made in response to competitive pressures. Increases in retail prices result in windfall increases in gross profit when there is a large quantity of product on hand that was purchased at the original lower cost.

Advertising markdowns are temporary reductions in the retail price of an item for a specific period of time in conjunction with an advertising program. The advertising program can take any number of forms - electronic, print, in-store POS notices, etc. At the end of the advertising period, the retail price of the item is raised back to its normal level. However, during the run of the advertisement the gross margin received is less than the bill out gross margin.

Discounts are percentage reductions in retail price which are offered only to a specific category of customer. Common discount categories include employees, senior citizens, preferred readers, and baby club members. Discounts reduce the expected gross profit earned below the bill out gross profit percentage.

Reductions in retail price made to stimulate sales of slow-moving or out-of-style merchandise are called closeouts. Closeouts commonly occur at the end of a season (e.g., post-Christmas sales, swimsuit sales in September, etc.). The goal of a closeout discount is to sell unwanted inventory and replace it with different, faster moving items.

Retail prices are sometimes reduced through retailers' in-store coupons or through doubling manufacturers' coupons. The issuance of retailer in-store coupons is a marketing technique which stimulates sales of specific items. The practice of doubling manufacturers' coupons is often driven by competitive factors and is an incentive to entice consumers into the store without guiding them to any specific products.

Certain retail establishments, such as pharmacies, have differing retail prices for the same product because of different reimbursement formulae used by third party carriers who ultimately reimburses the retailer for the consumer's purchase. Such adjustments change the gross profit percentage from the calculated bill out gross profit.

### **EXPECTED GROSS PROFIT PERCENTAGE**

When all retail adjustments made at store level have been accounted for the actual retail price and acquisition cost are known and the expected gross profit percentage can be determined. After all activities initiated by corporate functions have been accounted for the expected gross profit percentage is that for which the store is held responsible.

The retail adjustments which caused the difference between the bill out gross profit and the expected gross profit percentage are primarily the responsibility of the MERCHANDISING (including Advertising) function. Even when retail price changes arising from vendor cost changes are initiated by the purchasing function, the decision as to the date of their implementation is the responsibility of the merchandising function. The retail adjustments initiated by the merchandising function are normally made to increase sales or to open shelf space for other products.

### **Other Gross Profit Adjustments**

The actual achieved gross profit percentage of an individual store rarely matches the expected gross profit percentage even though this has been carefully planned and plotted by corporate functions. Other events occur at the store and elsewhere in the organization which have an impact on the final gross profit percentage achieved.

Appropriation of a store inventory item for a purpose normally considered an operating expense is called store use. An extreme example of this is a car dealership providing the sales manager with an automobile for her personal use.

At other times an inventory item must be discarded for no value or is sold for a reduced amount, due to damage to the item or its packaging. Such usage cause unplanned reductions in gross profit.

Stores must sometimes discard inventory items for no value or sell the items for a reduced amount when the sale date is past the "sell by" date of a perishable product. The discarding of an inventory item, for little or no value, due to the item being spoiled is known as spoilage. Spoilage is different from outdated product only in that some perishable products spoil before their "sell by" date due to improper handling or storage.

Obsolescence is the discarding of an inventory item, with no value received, due to the item becoming unsaleable because the product has fallen into disuse. Items can become obsolete because of technological improvements, because of changes in style or because of changes in consumer tastes.

The intentional removal of inventory from the store without full payment of the retail price is known as theft. There are three categories of theft from retail stores: 1) External - Shoplifting and other theft of product by customers, 2) Internal - Outright theft by employees, consumption or other use without payment, and other unauthorized discounting or removal of product without full payment, 3) Vendor - Theft by in-store vendors through removal of inventory or by failure to deliver all product invoiced.

Retail pricing errors are the failure to collect the expected retail price of an item due to an error in the pricing system. Errors can be caused by a cashier mis-ring of the item retail price, by an improper retail price sticker being placed on the product or by an input error in the retail price programmed into a point-of-sale (POS) scanning system.

The above other gross profit adjustments are all instances where the amount of money received when the inventory leaves the store differs from the expected retail price. Gross profit adjustments also arise from errors in the accounting for the purchase or sale of an inventory item.

Many of these gross profit adjustments cannot be identified at the time they occur. Their total and the amount of their impact on gross profit is only known when a physical inventory is taken and compared to the expected or book inventory. However, even when a physical inventory is taken this final gross profit calculation is not clear cut because the store physical inventory is normally taken at retail. The inventoried retail must be adjusted to cost using a cost to retail percentage. The calculated physical inventory cost is compared to the general ledger which has recorded cost of goods sold at the expected gross profit percentage. The difference is usually called "shrinkage" when there is a recorded loss and "pickup" when there is a recorded gain.

#### **ACHIEVED GROSS PROFIT PERCENTAGE**

After the inventory shrink or pickup has been recorded an achieved gross profit percentage for the period between inventories can be determined. The achieved gross profit is that which the stores actually received from the sale of the product regardless of how the inventory was removed from the store (i.e., sold, discounted, stolen, etc.).

The difference between the expected gross profit and the achieved gross profit is primarily the responsibility of the STORE OPERATIONS function. Except for bookkeeping and other accounting errors, these adjustments to gross profit are caused by action, inaction or lack of proper controls which are the responsibility of personnel in the store operations function.

#### **SUMMARY**

The determination of a store's final achieved gross profit is the responsibility of not only corporate management which sets overall profit guidelines but also of the PURCHASING, MERCHANDISING and STORE OPERATIONS functions, each of which has a specific impact on the final achieved gross profit. Store physical inventories must be taken to accurately determine the achieved gross profit. However, due to the costs of physical inventories and the difficulties in converting the physical retail inventory to accurate historic cost, estimations are almost always used in the gross profit determination and the financial statement recording of a retail organization's gross profit.

Different methods are used by retail organizations to develop estimations. These differences make it difficult to compare gross profit percentages of retail organizations. Gross profit percentage comparison is further complicated because different retail organizations include different cost centers and cost components in their accounting for gross profit. For these reasons, analysts must take care when attempting to compare gross profit percentages based on financial statement presentation alone.



# ROLE OF INTERNET ADVERTISING IN MARKETING COMMUNICATION STRATEGY

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## ABSTRACT

Although Internet advertising is still fairly new, it has become an attractive vehicle for advertisers because of its several features and qualities. It integrates many positive aspects of major advertising media such as the visual impact of TV and the parallel delivery of an ad with a content a user is searching for, like billboard. More and more companies are using web advertising as part of their overall communication plan with potential customers. When a company wants to advertise on the Internet, what strategies should be recommended? This paper examines various ways of on-line advertising and discusses different aspects of these. Legal issues regarding national as well as international advertising are also addressed to understand the repercussions of web advertising locally as well as globally.

To advertise on-line, the advertiser must first choose the site of interest. Various mechanisms may then be used such as ad network, pooled advertising company, advertising agencies, ad servers or representatives depending on the costs involved. For further categorization, search engines could be utilized.

How can Internet advertising be measured? During any ad campaign, the company needs to know the total traffic and the visit length of the audience among other things. Different companies can be employed for these measurements such as Nielson research group to track site traffic, activity and user response. NetLine and NetCount could also be employed. Use of banners is a possibility.

While selecting the best strategy for on-line advertising, one must keep in mind that web advertising is subject to different laws in different countries. These laws and tax considerations should be considered. Should a web site provide information, encourage customer interaction and generate goodwill or simply put price lists and catalogs?

The future of Internet advertising seems to be that of a continued growth into the next millennium. The issues that will become increasingly important are those of consumer privacy and audience measurement standards, that is verification of the delivery of the ad for evaluation of cost-benefits. Available literature is examined and analyzed in this paper to provide general overview of these considerations in Internet advertising.

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# THE FUTURE OF THE INTERNET

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## ABSTRACT

*The purpose of this paper is to examine possibilities regarding the future of the Internet. First, the current state of the Internet as a data transport system is discussed, along with some attendant problems. Then, several emerging initiatives and network level services are explored. The paper concludes with some speculations about future changes to the Internet.*

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## INTRODUCTION

The implications of the Internet are far reaching for both consumer and business users. However, the actual direction, scope, and impact of the Internet are uncertain. No one can predict accurately what the end result will be. Even Microsoft's Bill Gates believes that it's nearly impossible to determine the future of the Internet (Carter 1996). But speculations can be made based on current technological research and advances. The purpose of this paper is to examine possibilities regarding the future of the Internet. First, the current state of the Internet as a data transport system is discussed. Then, several emerging initiatives and network level services are explored. The paper concludes with some speculations about future changes to the Internet.

The Internet has become part of the American consciousness. It is firmly established as a worldwide communication medium. Indeed, Internet "gurus" claim that it is the seminal communication phenomenon of this century, with the potential impact on our lives rivaling that of television and the telephone. However, the Internet must overcome several hurdles to become a more user-friendly information source.

The pace at which electronic transmission can occur is at the root of Internet progress. The Internet is too slow for many activities. With good reason, many say that "www" really means "World Wide Wait." The slow transfer of information is attributed to a number of factors. One is the slowness of user access. Currently, the most common Internet connection for consumer users is some type of telephone modem. The speed range varies from 28,000 kbps to 56,600 kbps in most situations. The results of one survey indicated that more than 63% of all Internet users access the Internet with the slowest of modems (Carter 1996). Most business use is

through a main server with networked terminals using Ethernet cards, which have a transfer rate of 10 megabits/second. In addition, slow servers, routers, and Internet service providers (ISPs) contribute to slow loading and delayed IP response. This is due, in part, to the system's 1960s technology, which has been stretched to a near breaking point. Internet "brownouts" suggest that the Internet is incapable of quickly processing massive amounts of information, particularly the type that might be associated with commerce, an activity for which the Internet was never intended.

The biggest change in the Internet over the short term will be bandwidth (Goldsborough 1998). Bandwidth is a reference to the total physical dimension of cables carrying data to and from the Internet. Bandwidth will become larger because it is the only bottleneck preventing the really productive things from happening on the Internet. Those productive things include everything from uncomplicated, widespread access to the Internet, to sound, full-motion video, and teleconferencing--all of which are possible now, but greatly hampered by the Internet's lack of speed.

## Speed

ISPs are working to upgrade the speed of Internet access lines by improving core routing links. Modem makers, too, have upgraded their products, some of which are capable of running at high speeds; however, most Internet users do not have devices that can tap this high access speed. Among the emerging higher-speed access methods are Integrated Services Digital Network (ISDN), cable modems, and the 56K bps modem. ISDN requires a special phone line, a special ISDN adapter, and a ISDN line usage charge (Dutcher 1997). At 144Kbps, ISDN provides higher-speed Internet access, but the trappings associated with ISDN have thus far hindered its success

in the residential market.

Another way to increase bandwidth is the use of coaxial cable access for the Internet, which will provide the fastest connection yet. The cable modem consists of a box that hooks in to pre-existing coax lines that currently broadcast cable television channels. The box is then connected to a personal computer through an Ethernet card that can handle the speed of download. For example, MediaOne offers high-speed Internet access to cable TV subscribers for less than \$40 per month. The service is 300Kbps upstream and 1.5Mbps downstream. MediaOne provides a modem that plugs into the TV cable, into an AC outlet, and into an Ethernet card in the PC. Internet access is continuous--no dialing, no busy signals, no logging in, no hissing and screeching (Metcalfe 1998). But cable modem access is not without its problems. For one thing, cable service providers are not widely cited for their prompt or consistent customer service. In addition, two technicians are required to install the equipment: the regular "cable guy," who runs the coax line and installs the modem; and a computer technician, who installs the Ethernet card and insures that the modem is communicating with the computer and the ISP. Further, if the cable company has not upgraded to handle a digital two-way feed (most have not), an additional dedicated phone line is required for data upload (Alsop 1997).

Of the three higher-speed access methods, the one that has the most reasonable chance of becoming widely accepted in the consumer market is the 56K bps modem. While there are two different, competing and incompatible types of 56K modems, they use analog access lines, and most of the burden of special equipment and special access is on the service provider. Mass-market consumers' buying behavior for Internet services is driven less by technology than by price and convenience. This is the reason that ISDN has not yet been successful and that cable modem access will be slow to diffuse.

### **Savings**

What may ultimately guide the Internet's future is how much money it can save for those who use it. Companies have already discovered a number of ways to cut costs via the Internet. For example, the posting of business-to-business electronic catalogs not only provides the ability to make up-to-the minute revisions but also includes the upfront savings in paper and printing costs. Email, another cost cutter, with its ability to attach files and transmit information anywhere in the

world for the price of a local phone call, saves a company hundreds of thousands of dollars depending on size and communication needs.

As bandwidth increases, it will be easier to transmit not only sound, but full-motion real-time video. Business applications for this include desktop video conferences. Videoconferencing will move from being a novelty used by few to a reality demanded by many. Jerky pictures and delayed sound will be replaced with clear images that move nearly at real time. This will reduce both travel and long distance telephone expenses.

Companies are establishing Intranets to handle business-to-business transactions. For example, IBM's Intranet provides 77,000 agency buyers with on-line transaction capability, including browsing and information collections through automatic order fulfillment. It also provides a venue for promotion and new product introductions (Stevens 1997). IBM's Intranet has reduced not only their costs but also their customers' cost, at about 5% of sales. In addition, the \$60,000 annually that IBM once spent on catalogs is now devoted to the web site or is saved. Other benefits include a reduction in cycle time from six weeks to 14 days and a drop in error rate from 14% to 2% (Stevens 1997).

Technological improvements promise to reduce the price of computers themselves. Computers that depend on a network for their operating capabilities, and may retail for as much as 80%-90% less than a well-equipped PC, are now in development. Known variously as "information appliances" or "Internet toasters," network computers feature a slimmed-down operating system, no hard drive and no software. Word-processing, spreadsheet and other programs needed to make them perform like a PC are downloaded from the Internet or other networked source. Nothing extra is needed to allow users to browse the Internet. Hundreds of software and hardware makers nationwide have been involved in the effort.

### **Future Possibilities**

Further down the line is the potential for a multi-faceted electronic future revolving around interactive media--combining television, computer and the Internet into one diverse but organized medium. This is a very real possibility. For one thing, Microsoft's Bill Gates believes that interactive media will happen and will arrive via the TV set and a very high-speed connection to the Internet through cable-television wires. And he has

invested both his company's resources and efforts to make it a reality. In 1997, Microsoft purchased Web TV, a start-up company that builds set-top boxes that connect TVs to the Web, and paid \$1 billion for 11.5% of cable giant Comcast (Ramo 1997). In addition, Microsoft has engaged in talks with a number of leading cable operators, such as Time Warner, Inc. and U.S. West, to create high-speed Internet access (Banks 1997). With interactive media, the Internet will look something like the one futurists have described for years: fast, simple and stuffed with content--everything from movies to E-banking. A recent profile of Microsoft suggests that the company's current interactive strategy could lead to a world where everything from games, information sources, commerce, movies, television, advertising and more will be available in interactive mode.

Currently, scientists and engineers are working to perfect the concept of quantum computing. Quantum computing involves molecular-sized devices that make use of quantum-physics effects such as "spin." A molecule or atomic particle's spin creates a small magnetic field that can be oriented in one direction or another, allowing the device to exhibit "on" and "off" states without using an electric current. In theory, molecules could act as binary devices that could store data or work together to process digital logic, just as CPUs and integrated circuits do. Quantum mechanics that particles can be in multiple quantum states at the

same time, as if each address in a RAM chip could store the values 1 and 0 simultaneously. Since this would enable multiple processes to occur at once, a quantum computer could effectively act like a supercomputer using parallel processing. The researchers' challenge was to find a substance whose characteristics lend themselves to quantum computing. A material with quantum effects that are large enough to be measured easily while remaining immune from exterior forces that could drown them out. The researchers' breakthrough came with the discovery of such a material--manganese-12 (Sherman 1997). An example will illustrate the potential power of quantum computing. It takes between one and two months for the most powerful existing computer to factor a number with 130 digits, but a perfect quantum computer could accomplish the same task in a fraction of a second. In the distant future, perhaps very distant, quantum computers could change everything we know about computing today.

### Conclusion

While Microsoft directs its resources into the outer reaches of current Internet capabilities--interactive media--and researchers direct their efforts into the even further outer reaches of quantum computing, millions of smaller players are likely to see a faster Internet in the future and one that is more accessible and cost efficient to use in a variety of ways.

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# THE IMPORTANCE OF STORE CHARACTERISTICS ON CONSUMER PATRONAGE: A COMPARISON ACROSS FOUR SOURCES

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## ABSTRACT

*This study analyzes the influence of ten store characteristics of four retail sources and consumer demographics on the patronage of these different retail sources. Results indicate that consumers perceived the importance of store characteristics differently for traditional retail stores, catalogs, the Internet, and TV. Additionally gender, where individuals reside and educational level apparently contribute to patronage of different retail sources.*

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## INTRODUCTION

The role of the World Wide Web in the marketing and retailing arena has generated many differing positions and opinions. Many predictions have been made that the Web would replace traditional retailing and merchandising activities as we know them now. However, as it has evolved, the predictions have failed to be true. On the other hand, the Web has had an impact for many vendors. Even if they do not sell merchandise online, many have used the Web as a promotion and marketing tool to increase their market share, while reducing selling costs (Ernst and Young 1998). Thus, the Web has become another medium through which many companies market their products. Just as some consumers are devout catalog shoppers, others are online shoppers. Still other consumers patronize TV shopping, almost to the point of addiction. Progressive retailers tend to be the ones using the Internet to sell their products, with catalog companies leading the way (Ernst and Young 1998). Thus, as the role of the Web evolves, in the retailing arena, the need again arises to determine what consumer deem important when they determine where to shop. Just as catalog and direct marketing have developed insights into targeting their customer, so will targeting the online shopper become necessary to effectively market via this source.

## PURPOSE

The purpose of this study is to analyze the role consumer attitudes regarding ten store characteristics, and demographics play in determining where consumers decide which retail source to patronize. Four retail sources were examined: 1) traditional retail, 2) catalog,

3) Internet, and 4) TV. After reviewing literature on catalog, in-home (TV), and Internet shopping, ten store characteristics were identified as playing a role in determining where consumers shop. Research findings of what store characteristics of catalog, in-home and Internet shopping influence consumers' choice of alternative medium the following conclusions could be made. If consumers perceive the medium will 1) save them time, 2) be convenient to use/patronize, 3) provide merchandise with good value for the price and 4) merchandise of good quality, 5) involve low risk, 6) provide customer satisfaction, while 7) offering credit accounts and accepting charge cards, they will be more likely to choose that alternative shopping medium. Ten store characteristics identified for the purpose of this study were: 1) saving time, 2) convenience, 3) ease of payment, acceptance of credit cards, 4) company reputation, 5) brand reputation, 6) merchandise price, 7) merchandise quality, 8) merchandise variety or assortment offered, 9) reduced risk of mispurchase, i.e. acceptance for return or credit, and 10) customer service.

Although some studies have found age to be positively related to choice of the alternative medium, the majority of the results would indicate there is an inverse relationship between age, and adoption of the Internet as an alternative shopping medium (Dillard 1992; Korgaonka & Moschis 1987; Korgaonkar & Smith 1986; Mast, Shim & Morgan 1991; Shim & Drake 1990; Shim & Mahoney 1991). The results regarding gender and income are somewhat inconclusive. Approximately the same number of studies found these two variables to be insignificant and those which found them to be significant (Dillard 1992; Korgaonkar & Moschis 1987;

Korgaonkar & Smith 1986; Shim & Drake 1990; and Shim & Mahoney 1991). Education was found to be significant in only one third of the studies, and one of those was inversely related (Dillard 1992; Korgaonkar & Moschis 1987; Korgaonkar & Smith 1986; Mast, Shim & Morgan 1991; Shim & Drake 1990; Shim & Mahoney 1991). Marital status and the presence of children in the home appear to be positively related to patronage of alternative shopping medium (Blakney & Sekely 1993; Dillard 1992; Eastlick & Feinberg 1995; Harden 1996; Haynes, Lowe & Black 1994; Kwon, Paek & Arzcnii 1991; Mast, Oliver & Shim 1991; Mast, Shim & Morgan 1991; Seitz & Massey 1990; Shim & Drake 1990; Shim & Mahoney 1991; Simpson & Lakner 1993). The research discussed would not lend support to occupation playing a role in consumers' selection of alternative shopping sources. Descriptions of current Internet users from the on-line surveys would indicate consumers on the Internet are more likely to be male, have at least some college education, higher than average incomes, and be professionals, educators, entrepreneurs or technicians. Thus research findings regarding retail medium patronage and the role demographics play are somewhat confounding. For the purpose of this study the consumer demographics identified which influence patronage of particular retail sources include: 1) age, 2) gender, 3) marital status, 4) education, 5) occupation, 6) race, 7) income, 8) size of household and 9) density of metropolitan area of residence.

It is hypothesized that different store characteristics will influence consumers' patronage across the four retail mediums. It is also hypothesized that different demographic variables will influence consumers' patronage across the four retail mediums.

## METHODOLOGY

An online survey was used to collect the data. Responses were solicited via a commercial press-release service, and additional posts to Internet listservs. Respondents were asked to rate how important each of the ten store characteristics were in choosing where to shop, for each of the four retail sources. Respondents were also asked to report where (retail, catalog, Internet or TV) they had purchased each of fifteen product categories. One hundred responses were obtained in two months.

### Results

*Demographic Profile of Respondents.* The gender distribution was exactly equal, with half female and half

male. The majority of the respondents were Caucasian (86%), with Asian the next highest representative ethnic group at 7%. Afro-Americans comprised 2%, and Hispanics only 1%. Slightly more than half reported being married, 27% single, and the remaining 19% included divorced, widowed, or living with another. Almost one third, 30% were age 45-54, while slightly more than half, 57% reported employment in professional or technical occupations. Also, almost one third reported income of \$100,000 or more. A large majority, 71% indicated they were college graduates or held professional/graduate degrees. Three-fourths of the respondents indicated three or less people in the household. Size of the metropolitan area varied greatly, with 32% indicating 250,000 population or more, and approximately 20% each in 50-250,00 population areas, or suburbs of these areas.

*Data Analysis.* Mean scores for the ten store characteristics ranged from 3.68 to 4.48 (See Table 1). Analysis of variance comparison of the three alternative retail sources to traditional retail stores, determined that mean scores for 1) ease of payment, 2) brand reputation, 3) merchandise price, and 4) merchandise variety were significantly different. Convenience and customer service were significantly different for catalog and Internet sources. Saving time and reduced risk were only significantly different for catalogs, while company reputation was significant for catalog and TV. Another way to examine these results, is to note that the mean scores for the importance of store characteristics of catalogs were all significant in the ANOVA, and only merchandise quality, variety and customer service had mean scores lower than traditional retail. Seven of the ten store characteristics were significantly different for the Internet, and of these, three, (convenience, ease of payment, and brand reputation) had mean scores which were higher, indicating greater importance for the Internet, while the remaining four, (merchandise price, quality, variety and customer service) were lower, indicating these characteristics are rated as less important. All five of the store characteristics which were significant for TV (ease of payment, company and brand reputation, merchandise price and variety) had mean scores lower than those for traditional retail, while the mean scores of the remaining five were also lower, but not statistically significant in the analysis.

While purchase frequencies for all fifteen product categories vary widely across the four retail sources, it was quite evident that the largest portion of respondents had purchased most of the product categories from traditional retail sources. Specific products which were

Store Characteristics	Retail	Catalog	Internet	TV
Save Time	3.26	3.53*	4.00	2.60
Convenience	3.72	4.07*	4.32*	2.83
Easy Pay	3.59	3.91*	4.00*	3.06*
Company Reputation	3.92	4.22*	4.24	3.59*
Brand Reputation	3.73	3.85*	3.93*	3.33*
Merchandise Price	4.13	4.16*	4.11*	3.42*
Merchandise Quality	4.70	4.65*	4.48*	3.72
Merchandise Variety	3.86	3.63*	3.68*	2.91*
Reduced Risk	4.20	4.54*	4.43	3.72
Customer Service	4.19	4.04*	4.00*	3.33

purchased in greater frequencies via the Internet were: books, computer products, music, and travel products. Nine percent of the respondents indicated they had not made catalog purchases for any of the product categories, with a similar eight percent reporting the same for the Internet. However, a large majority, 83%, indicated they had not made a TV purchase for any of the product categories, so this group did not patronize TV vendors.

Data analysis employed to test the hypotheses used regression analysis, general linear model. The dependent variable was a summed value for all of the product categories in each of the four retail sources. The independent variables were the store characteristics for each of the retail sources, respectively, and gender, marital status, education, metropolitan area size, and size of household. As summarized in Table 2 the store characteristics which are statistically significant, and even those which are marginally significant ( $p=.06-.08$ ) vary with the retail source. Specifically, three variables, saving time, convenience and easy payment are significant for the traditional retail store model, while merchandise price is marginally significant at  $p=.076$ . Easy payment is negatively correlated in this model. Convenience is marginally significant for the catalog and Internet models,  $p=.068$  and  $p=.073$ , respectively, and is the only store characteristic even marginally significant in

these two models. Easy payment method is significant in the TV model, and again, this is the only store characteristic which is significant in the retail source model. Six of the store characteristics are not statistically significant in any of the four models: company and brand reputation, merchandise quality and variety, reduced risk and customer service. Demographic variables also vary between the four retail models. Gender, specifically male, is only statistically significant in the Internet model. Higher levels of education are significant in the traditional retail model, and marginally significant in the catalog model, with both positively correlated. Lower levels of education are statistically significant and negatively correlated with shopping via catalog. The size of the metropolitan area of residence is significant in several of the models. Specifically, living in a large metro area, population of 250,000 or more, or a suburb of a medium sized area, 50-250,00 were both statistically significant and positively correlated with shopping via the Internet, while suburbs of medium-sized areas was marginally significant,  $p=.089$ . In the traditional retail model, metro area suburbs of 50-250,000 is marginally significant,  $p=.071$ . This variable is significant in the catalog shopping model. Size of the household is significant only in the Internet model, and negatively correlated which shopping via this medium. These results are summarized in Table 2.



Variable	Retail		Catalog		Internet		TV	
	Est.	Prob >	Est.	Prob >	Est.	Prob >	Est.	Prob >
save time	-0.667	<b>0.019</b>	0.362	0.168	0.252	0.397	-0.149	0.209
conv.	1.007	<b>0.003</b>	0.577	<i>0.068</i>	0.671	<i>0.073</i>	-0.048	0.720
easy pay	-0.448	<b>0.032</b>	0.038	0.849	<i>0.086</i>	0.732	0.252	<b>0.021</b>
price	-0.557	<i>0.076</i>	0.471	0.128	0.102	0.766	0.189	0.308
gender (male)	-0.529	0.328	-0.121	0.811	1.132	<b>0.053</b>	0.374	0.134
ed low	-0.234	0.776	-2.734	<b>0.001</b>	-1.019	0.259	-0.533	0.145
ed high	0.394	<b>0.035</b>	-0.352	<i>0.072</i>	-0.270	0.197	-0.016	0.851
res size 1	0.058	0.935	0.820	0.281	1.617	<b>0.049</b>	-0.101	0.773
res size 3	-0.687	0.383	0.508	0.544	1.504	<i>0.089</i>	0.242	0.505
res size 4	2.297	<i>0.071</i>	2.540	<b>0.037</b>	3.160	<b>0.024</b>	0.422	0.475
hh size	0.091	0.695	0.043	0.849	-0.533	<b>0.046</b>	0.169	0.134

### CONCLUSIONS

The hypotheses which stated that the store characteristics and demographics of consumers would differ by the retail source which they chose to patronize are supported by these findings. These results indicate that company and brand reputation, merchandise quality and variety, along with reduced risk of mispurchase and customer services were not significant in any of the four retail source models. However, the perceived importance of these store characteristics was indicated to vary by retail source of the respondents. Saving time, convenience, and easy payment methods were important in the patronage of traditional retail stores, while convenience seems to have some importance relative to patronizing catalog, and Internet sources. Easy payment options appear to be the only, somewhat important characteristic for selection of TV sources. However, with very limited patronage of this medium, results must be taken with caution. Demographic variables also vary with retail source. Males were more likely to have purchased via the Internet. Higher levels of education

contributed to shopping via catalogs and the traditional retail store sources. Where an individual lives appears to be significant as well. For those who shopped via the Internet, large metro areas and suburbs of medium sized areas contributed to patronage of the Internet. This may be influenced by the availability of Internet access in these areas, since these individuals may have limited or no access to a service provider, or to one in a local calling area. Additionally, metro area was also a factor for catalog shopping, with individuals who lived in suburbs of medium-sized cities patronizing this source.

In conclusion, this sample was quite small, but fairly representative of the general population. These results, while not conclusive, would indicate that as retailers attempt to identify and target their customers, they may be wise to address marketing and promotional efforts which are geared to these specific retail venues.



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# RACE-ETHNIC VARIATIONS IN SERVICE QUALITY RETAIL CLOTHING SHOPPING EXPERIENCES: A SERVPERF COMPARISON

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## ABSTRACT

Marketers addressing customer perceptions of service quality have developed the SERVQUAL/SERVPERF scales and have shown these to be correlates of perceived service quality in retail shopping. However, research has not addressed racial-ethnic variations in service quality perceptions. The present study addresses this gap by reporting data from a mailed questionnaire survey of a random sample of registered voters carried out to investigate differences in retail shopping experiences of African-American and White residents of a middle-size city in the southern United States. The project was funded by the Nissan-HBCU-ETS Consortium Faculty Research Grant Program. The research reported here addresses racial differences in retail clothing shopping experiences.

Differences in means and variability are investigated in this report. First, tests of significance of differences in the means of the African-American and White respondents on the SERVPERF items allow us to address whether these two racial and cultural groups rate their shopping experiences differentially. Second, cross-race differences in item variances indicate the relative consensus of each group's experiences. The Levene test for equality of variances used by SPSS as part of the difference in means subroutine provides a probability level for assessing such differences.

Of 2,200 questionnaires mailed, 332 were returned as undeliverable. Of the 1,868 questionnaires delivered, 270 were returned by respondents for an overall response rate of 14.5%. Of these, 253 respondents listed their race or ethnic status as African-American (36.4%) or White (63.6%). Of these, 242 reported using clothing stores and are included in the analyses reported here. Inspection of sample distributions by zip codes indicates that respondents from higher economic, predominately White neighborhoods tended to be over-represented while respondents from lower economic status, predominately African-American neighborhoods tended to be under-represented. A higher proportion of African-American respondents were female (75.0%) as compared to Whites (54.0%) and a larger proportion of White respondents reported having four years of college (40.6%) as compared to African-Americans (22.0%). African-Americans tended to be younger with 88.0% reporting being below age 60 as compared to 53.9% of Whites.

Cross-race similarities were observed in mean experience ratings of the 22 SERVPERF items. Both groups tended to rate all items above four - in the acceptable to good end of the scale. No statistically significant difference in means was observed for any item (2-tail tests;  $P < .05$ ). However, African Americans and Whites revealed substantial differences in the variability of their responses. On every item African Americans had larger standard deviations than did Whites. The Levene test revealed statistically significantly greater variances for African Americans on 16 of the 22 SERVPERF items and on the Overall Quality item. Despite similarities in means, African Americans are substantially more likely to have both more positive and more negative experiences than Whites.

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# AN INQUIRY INTO SOME ANTECEDENTS OF CONSUMER DOMESTIC PURCHASE BEHAVIOR

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## ABSTRACT

*The aim of this study was to investigate the role of factors underlying consumer choice of domestic vs. foreign products. While results confirmed the postulated relationships among the protectionism dimension of ethnocentric attitudes, familiarity with global brands and consumer domestic purchase decisions, the findings did not lend support for theoretical propositions related to demographic variables.*

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## INTRODUCTION

In their transformation efforts, many Central and Eastern European (CEE) countries have been undergoing serious economic crises characterized by unemployment and inflation. Furthermore, most domestic firms in CEE have been facing soaring competition from Western marketers, particularly from well-known brands in the consumer goods sector (Mueller and Gajdusek 1996). The relationship of consumer attitudes to actual purchasing behavior seems to have perplexed researchers and marketers alike, particularly in regards to consumer choice of domestic vs. foreign made products. Existing anecdotal and empirical research in the emerging CEE economies indicates inconsistencies. While opinion polls reveal concerns of CEE citizens regarding their quality of life (e.g., possible loss of jobs) due to increasing foreign competition and strong convictions regarding the importance of supporting domestic industries, the same respondents report having purchased primarily imported products when actually asked about the specifics of their recent purchases (Damisch and Ulram 1995). The present study attempted to address this issue and provide a platform for further discussions related to a better understanding of the new breed of consumers evolving in CEE markets. The aim of the present research was to examine the attitude-purchase behavior relationship and to explore factors underlying consumer choice of domestic vs. foreign made products. Specifically, the objectives of this study were to investigate dimensions of ethnocentric attitudes of consumers in the post-socialist economy of Slovenia, to examine global brand awareness and demographic factors as their potential antecedents, and to explore the role of these factors in the actual behavior of purchasing shopping goods within product categories subjected to foreign competition.

## THEORETICAL BACKGROUND AND HYPOTHESES

Two research streams related to consumption behavior, i.e., the country of origin dynamics and consumer ethnocentric attitudes, have provided the theoretical background for this study. Numerous country-of-origin (COO) studies support the notion that consumers have diverse perceptions about products made in foreign countries, and that these perceptions affect their purchasing behaviors based on stereotyped national images of the country where the product is produced or is perceived produced. This research area has seen extensive empirical research in the past 20 years (e.g., Bilkey and Nes 1982; Kaynak and Cavusgil 1983; Wall, Heslop and Hofstra 1988). Independent of consumers' experience with the product, COO information represents an extrinsic cue which communicates quality and value to consumers, and influences their evaluation, attitudes and, consequently, their purchase intentions and behavior. However, some COO studies have been also criticized for their lack of methodological rigor and external validity, their context dependent nature and insufficient theoretical underpinnings (Bilkey and Nes 1982; Peterson and Jolibert 1995).

In contrast to the COO studies, the consumer ethnocentrism stream of research offers a firm theoretical basis for empirical research. Research has focused primarily on the conceptualization, measurement operationalization, and cross-cultural validation of the instrument (e.g., Herche 1992; Durvasula, Andrews and Netemeyer 1997; Netemeyer, Durvasula and Lichtenstein 1991; Shimp and Sharma 1987; Shin, Shimp and Sharma 1995). The premise of consumer ethnocentrism is that buying foreign made goods may hurt the domestic

economy and endanger job security. As such, this concept provides an understanding of which purchase behavior is acceptable and which is not. According to Shimp and Sharma (1987), consumer ethnocentrism is an important individual-level construct for the better understanding of COO dynamics.

The framework for this study was based on the conceptual model proposed by Sharma et al. (1995), who suggested that along with demographic and psychographic measures, the following constructs may be factors underlying an individual's ethnocentric tendencies: openness to foreign cultures, patriotism, collectivism-individualism and conservatism. This study inquired into cultural openness and demographic variables as factors underlying dimensions of consumer ethnocentric tendencies and subsequently consumer domestic purchase behavior. Researchers have suggested that opportunities to interact with other cultures, including people and artifacts of other cultures, may reduce consumer cultural prejudice and hence the level of ethnocentricity (Shimp and Sharma 1987; Sharma et al. 1995). For the purpose of this research, an individual's familiarity with global brands was considered an indication of openness to other cultures and therefore a potential antecedent of consumer ethnocentric attitudes and purchase behavior.

Some products with global brand name reputation were available in CEE countries even before the economic transformation began; in addition, several unavailable brands were known to CEE consumers through international travel, interaction with people from other countries and the media. As a result of promotional campaigns of Western producers eagerly entering Slovenia and other the CEE markets, consumer awareness of global consumer brands has soared in recent years (Marketing Magazin 1997; 1998). Considering the existing theoretical foundations for the role of an individual's cultural openness as indicated by his/her global brand awareness, it is expected that consumers exhibiting a greater knowledge of artifacts of other cultures (global brands) will tend to exhibit less ethnocentric attitudes. Hence, H1: *Individuals more familiar with artifacts of other cultures will tend to exhibit lower ethnocentric tendencies.*

In contrast to previous research investigating the effects of ethnocentricity on the consumer's beliefs, attitudes and/or purchase intentions, this study examined the actual purchasing behavior for ten frequently purchased shopping items. Since consumer ethnocentricity is a personality trait of an individual, a

person's ethnocentric tendencies may affect his/her attitudes and behaviors toward purchasing foreign and competitive domestic products (Shimp and Sharma 1987). Previous studies in mature and emerging markets have demonstrated that ethnocentric tendencies are negatively correlated with attitudes, product preferences and purchase intentions of imported products (Good and Huddleston 1995; Herche 1992; Marcoux, Filtrault and Cherion 1997; Netemeyer et al. 1991). Therefore, it is expected that ethnocentric consumers will be more inclined to purchase domestic products than consumers exhibiting lower ethnocentric attitudes, H2: *It is expected that individuals with higher mean scores on dimensions of ethnocentricity will have purchased more domestic products within the four categories of products investigated.*

Ethnocentric attitudes have been found to vary across population segments with different demographic characteristics, as the quality of life and economic welfare (e.g. employment) may be more threatened by importation of foreign products for some individuals than for others (Shimp and Sharma 1987). Since purchasing foreign-made products can carry emotional implications if the loss of job or economic welfare is at stake, socioeconomic status and income level might impact how consumers feel about the purchase of imported products. Despite the fact that some empirical studies have demonstrated an inconsistent impact of consumers' income levels on ethnocentricity and consequently their purchase behavior (Good and Huddleston 1995; Marcoux et al. 1997), the role of this demographic variable is conceptually compelling. Also, jobs of lower income consumers may be more insecure than those of higher income consumers. Thus, H3: *A negative correlation is expected between consumer ethnocentric attitudes and his/her household income.*

Previous studies on country-of origin bias, patriotism and ethnocentrism have demonstrated that typically, female respondents tend to be more patriotic, exhibiting more favorable attitudes toward domestic products and higher ethnocentric tendencies (Bilkey and Nes 1982; Wall et al. 1988). On the other hand, the results of other empirical research have failed to support a significant impact of gender on ethnocentric purchase behavior (Good and Huddleston 1995; McLain and Sternquist 1991; Shimp et al. 1995). Although the impact of gender on cognitive or emotional constructs (e.g., ethnocentric attitudes) is not well understood in relation to consumers in the emerging European markets, the theory based proposition was, H4: *There will be*

*significant differences between male and female respondents' ethnocentric attitudes and consequently domestic purchase behavior.*

## RESEARCH METHODS

These research propositions were investigated on a sample of 182 students studying at a state university in Slovenia. The participants were asked to provide their honest opinions to items in the questionnaire, which consisted of four sections. Ethnocentric tendencies were assessed using Shimp and Sharma's (1987) consumer ethnocentricity measurement instrument, which has been used in a cross-cultural context in previous research (e.g., Durvasula et al. 1997; Good and Huddleston 1995). Following guidelines for conducting international consumer research (Douglas and Craig 1983), ethnocentricity items - general statements regarding the importation of foreign made goods - were translated into Slovene and back into English independently by two bilingual natives. The back-translated scale was then judged by researchers for meaning compatibility. The respondents were asked to indicate their agreement or disagreement with the statements on 7-point Likert scales.

The individual's cultural openness was, as in the brand awareness study by Kent and Allen (1994), measured by asking respondents to indicate their knowledge of and familiarity with 26 internationally well-known brands. The selection of global brands was based on the data from a previously conducted focus group session with students, and on researchers' judgment regarding the general familiarity of Slovenian consumers with various brands. The summated score of 5-point interval scales for all 26 global brands was then used as an assessment of the respondent's brand awareness, representing the construct of the individual's cultural openness. Actual consumer purchase behavior for ten shopping products was investigated by asking respondents to recall brand names of their most recent purchase of products on our list and disclose whether they believed the product was of domestic or foreign origin. The merchandise investigated represented four product categories which have been increasingly subjected to foreign competition: food, beverages, detergents/personal care and apparel/footwear. Product categories similar to ours have been the focus of recent research on CEE consumer perceptions and purchase decisions (Good and Huddleston 1995; Marcoux et al. 1997).

## FINDINGS AND DISCUSSION

As for the demographic characteristics of our respondents, our sample consisted of 58.1% female respondents. Almost half of the respondents' monthly household income (48.2%) fell between \$717 to \$1,304. The average respondent's awareness of 26 global brands, an indication of their familiarity with the artifacts of other cultures, had a mean score of 80.98 (maximum possible score was 130) with standard deviation of 10.08. The overall mean agreement with ethnocentricity items was 3.32 on 7-point scales with a standard deviation of 1.02. Data were also generated on respondents' purchase behavior in terms of whether their most recent purchase of products on our list was domestic or foreign. The respondents purchased, on an average, 2.73 domestic and 6.27 foreign products out of the ten items investigated. The underlying dimensions of ethnocentric attitude items were isolated by a factor analysis, using Varimax factor rotation as a procedure. The factorial model derived from this procedure resulted in two factors, which explained 58.5% of the variance shared by the original variables. We called the first factor 'trade conservatism' (6 items had a reliability estimate of 0.87) and accounted for 34.52% of variance. The second factor termed 'protectionism' (5 items had a Cronbach alpha of 0.76) accounted for 23.94% of variance.

Pearson's correlation coefficients, analysis of variance and multiple regression analysis were used to test our hypotheses. Hypothesis 1, testing the relationship between respondents' global brand awareness and their ethnocentric tendencies, was supported as the correlations with both dimensions of consumer ethnocentrism were predictably negative and significant ( $r = -0.233$ ,  $p = 0.031$  for the trade conservatism dimension; and  $r = -0.276$ ;  $p = 0.010$  for the protectionism dimension). This indicates that individuals possessing a broader knowledge of the artifacts of other cultures (global brands in this case) tended to be less ethnocentric on both dimensions of consumer ethnocentricity. Hypothesis 2, the relationships between ethnocentric tendencies and actual purchase behavior as evaluated by whether ten of the respondents' most recent product purchases on our list were of domestic or foreign origin, was also supported. The correlations between ethnocentric tendencies and true proportion of domestic products among the shopping items purchased were positive and significant ( $r = 0.429$ ;  $p = 0.000$  for trade conservatism dimension; and  $r = 0.478$ ;  $p = 0.000$  for protectionism dimension). These findings denote that the

stronger an individual's ethnocentric tendencies, the more likely s/he was to have purchased more domestic products among the shopping goods examined.

The correlation and a separate ANOVA analysis failed to support our Hypothesis 3 at the 0.10 significance level. Respondents' ethnocentric tendencies were not different across five household income groups for either the trade conservatism or the protectionism dimension. One of the possible reasons for this finding not supporting the impact of income variable is that despite an increasing economic stratification of CEE societies, attitudes of previously large middle-income class may still prevail in many population segments (Nasierowski 1996). An analysis of variance was run to test whether the means of the two ethnocentricity dimensions differed between male and female respondents. The results revealed an insignificant impact of gender on both of the ethnocentrism dimensions, thus failing to support hypothesis 4. One of the possible explanations is that the role of women in society in the former communist system was defined differently from that in the West, and that despite the changes in the socio-economic environment, attitudes developed over decades of the socialist rule still persist (Consumers of Eastern Europe 1994).

In order to further examine the propositions in this research and explore the relationships among consumer characteristics, attitudes and domestic purchase behavior, a linear regression procedure was run with the true proportion of domestic products purchased as a dependent variable, and brand name awareness, both ethnocentricity dimensions, gender and income as independent variables. Since the observed variable was a true proportion (i.e., number of domestic products out of total products for which the origin was indicated), the Fisher's Variance Stabilizing transformation was used to stabilize the variance of the error terms (Neter and Wasserman 1974). The model produced by multiple regression was significant ( $F$ -statistics = 6.48;  $p$ -value = 0.000), indicating that the model was meaningful in explaining variation in purchase behavior for the given products. Parameter estimates for global brand awareness and protectionism were significant at the 0.05 level, while neither the trade conservatism dimension, respondents' income nor gender were significant factors in the model. The coefficient of determination of the model, i.e.,  $r$ -square of 0.296, revealed that almost 30 percent of the variation in purchase behavior was explained by the three variables in the model. Considering that domestic vs. foreign product choice is determined by other factors not accounted for in our model (e.g. perceptions of quality, price differentials) this coefficient was relatively high.

## CONCLUSIONS AND FUTURE RESEARCH

This study sought to gain an understanding of the role of factors underlying consumer choice of domestic vs. foreign products. Empirical results confirmed the postulated relationships among the protectionism dimension of ethnocentric attitudes, familiarity with global brands and consumer domestic purchase decisions of the merchandise examined in this study. While our results did not lend support to theoretical propositions related to the impact of demographic variables, they are consistent with the findings of empirical research conducted in mature markets (McLain and Sternquist 1991; Shimp et al. 1995) as well as emerging economies (Good and Huddleston 1995; Marcoux et al. 1997; Mueller and Gajdusek 1996). Despite the compelling role of socio-economic variables in consumer ethnocentric attitudes and purchase behavior, Herche (1992) stated that "there is no reason to believe that demographic profiles of ethnocentric consumer segments need be consistent from one country to another." (p.264).

Several limitations precluded us from making firm conclusions based on our empirical results. The most notable limitation is the sample size of university students, who may share similar views and aspirations. Since the findings of this study may not necessarily be generalizable to other CEE countries, a broader geographic area of consumers ought to be investigated in the future. In exploring consumers' actual purchase decisions, the focus of this study was on the proportion of domestically purchased goods within a limited number of product categories. Although these were carefully selected, other studies should examine the consumer attitudes-purchase behavior relationship on a wider variety of products and analyze the differences among them based on the moderating effects of the perceived product necessity and economic threat (Sharma et al. 1995). Information generated from studies such as this one can provide a basis for better a understanding of the micro-environment of individual countries as well as CEE consumer markets, and can have important implications for both marketing management and the development of the body of knowledge on consumer behavior in the transitional markets. For brand managers and marketers struggling to survive in an increasingly competitive environment, an understanding of the impact of consumer characteristics and ethnocentric attitudes in purchase behavior should facilitate the formation of more effective marketing strategies, including those related to product positioning and market segmentation.

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# MULTIVARIATE CLUSTER ANALYTIC MODEL OF BENEFIT-BASED MARKET SEGMENTATION: A CASE STUDY FROM THE RECREATION AND LEISURE INDUSTRY

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## ABSTRACT

*Past research in benefit-based market segmentation has predominantly relied on conjoint analytic models as methodological tools. The authors of this research underscore the flaws of conjoint analytic models and propose a cluster analytic model as a possible solution. Further, a market in the leisure and recreation industry is segmented via the use of a computer-based segmentation procedure using multivariate cluster analysis. The model was used to segment the markets of a local zoo in the Midwest. The consequent market segments were clearly identifiable and valid. The segmentation scheme has proved useful in strategic planning initiatives that have enhanced customer visitation and satisfaction at the zoo.*

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## INTRODUCTION

Increased competition has rendered the tasks of market segmentation, market targeting and product positioning of paramount importance. Companies may gain sustainable competitive advantage through innovative segmentation of their markets. Distinct market segmentation provides a vehicle for directing one's marketing efforts toward that narrower base of potential customers. The trick to marketing to a narrower base of customers is figuring out which narrow portion to market to. A market segmentation procedure that achieves such precision, yet has received scarce attention from marketing scholars is the benefit-based market segmentation schema.

Benefit-based market segmentation involves segmenting the market for a product based on the intrinsic value that customers derive from the product. This intrinsic value (benefit) could take various forms such as snob appeal, perceived quality, or derived economy. This method of market segmentation is significantly different from other methods of market segmentation. It seeks to get "inside" the consumer's cognitive processes and find out what the customer is feeling about our product, rather than arbitrarily identifying a consumer based on how much money she makes or where he lives. The underlying principle is that consumers do not seek a product per se, rather they seek

what that product does for them, or the derived benefit. With benefit-based segmentation, the objective is to identify *why* the customer is buying the product, and group customers with similar "*whys*" together.

## PRIOR RESEARCH

Past research has shown that the benefits consumers derive from various product and service attributes are powerful discriminatory variables for market segmentation (Haley 1968; Wind 1978). Traditionally marketing scholars have restricted benefit-based market segmentation schema to conjoint analytic models (DeSarbo, Oliver, and Rangaswamy 1989; De Soete and DeSarbo 1991; Green and Krieger 1991; Kamakura 1988; Wittink, Vriens, and Burhenne 1994). There are several two-stage conjoint models in use to facilitate benefit-based market segmentation. However, the large numbers of such models merely confuse and frustrate both researchers and practitioners. Consequently, conjoint analytic segmentation models are largely chosen based on availability of expertise and software, coincidental acquaintance with scholars or algorithms, or personal preferences. The concern for strengths and weaknesses of models of choice and the propriety of use of a specific model for a specific application are often ignored. One can't help but notice the irony of picking an analytic tool to segment market by derived benefit based on factors *other* than product

attributes and true benefits!

This study provides an alternative to conjoint analytic models of benefit-based market segmentation, namely a multivariate cluster analytic model. We will soon see that this model is easy to comprehend, relatively effortless in application, and involves the managers responsible for product strategy formulation in interpretation of results. The cooperative efforts of managers and researchers strengthen the validity of results and findings.

A cluster analytic model has several methodological advantages. Firstly, the advantage of not depending on unreliable individual-level estimates of benefits based on any subjective *a priori* segmentation scheme, as often seen in conjoint analytic models founded on Hagerty's (1985) two-stage procedures. Secondly, conjoint models often suffer from insufficient degrees of freedom that may lead to incorrect partworth estimates and misclassification of subjects (Kamakura 1988; Umesh and Mishra 1990). As we will see, a cluster analytic model allows for ample degrees of freedom provided the sample size is adequate. Thirdly, cluster analytic models don't face identification problems often witnessed in alternative models that overparametrize degenerate solution. A related issue thus involves respondent fatigue associated with conjoint specific data collection procedures. Often the task of attribute weighting, attribute-level determination, and preference statements and ratings can be foreboding for most respondents. In a cluster analytic model interval level data is obtained with relatively negligible respondent burden, further strengthening the validity of results obtained.

### THEORETICAL RATIONALE

A cluster analytic model of benefit-based segmentation is concerned with devising a methodology of segmenting a very large and diverse potential market, through the use of a statistical algorithm, with the application of very specific benefit-oriented finite variables. In the search for narrow and specific segments there are three criteria that need to be satisfied, homogeneity within the segment, heterogeneity across the segments, and aggregation throughout segments.

Homogeneity within the segment is critical to defining the target customer. In the case of a benefit-based segmentation scheme, customers that derive the most similar benefits would be grouped in one segment. For instance, in the leisure and recreation industry it is a common practice to group customers who have young

children and those that are on a tight budget. In this case, the common desired benefit being sought is economy. Heterogeneity across the segments allows for the differentiation of segments and consumers. If two customers have very different needs, such as economy and snob appeal, they would be grouped in two very heterogeneous segments. By making the segments as heterogeneous as possible, the company ensures that marketing resources are utilized efficiently. Finally, aggregation is the process by which customers are grouped together. Segmentation was once thought of as being a desegregation of customers, on the contrary, the objective is to group them together for the most effective targeting, not separate them out to be targeted separately. The process of aggregation is expected to result in market segments that satisfy the aforementioned twin qualifications of homogeneity within and heterogeneity across segments.

### METHODOLOGICAL RATIONALE AND A CASE STUDY

The rationale behind the use of cluster analysis ties in very closely to the rationale for market segmentation. Cluster analysis seeks to organize information about variables so that relatively homogeneous groups, or clusters, can be formed (Anderson 1984; Dillon and Goldstein 1984; Lance and Williams 1967). Similar to market segmentation, the clusters that are formed should be highly internally homogeneous as well as externally heterogeneous as the groups should be as dissimilar as possible. Cluster analysis, like market segmentation, is also a gathering process, since responses are grouped together based on likeness of variables (Joreskog 1977). Cluster analysis performs agglomerative hierarchical clustering of data in order to classify observations into *prima fascia* unknown groups. Observations are aggregated in a stepwise fashion. Each successive step reduces the number of clusters by one. Similarity and distances are computed based on the scale on which distances are defined and the methods of linking researchers prescribe (Morrison 1976).

In this research, a market in the leisure and recreation industry is segmented via the use of a computer-based segmentation procedure using multivariate cluster analysis. Data was collected from a local zoo in the Midwest and cluster analysis was used to create a multivariate model to achieve a very precise grouping of responses. Findings indicate that the resultant market segments were clearly identifiable and valid. Results obtained from the study have resulted in

**TABLE 1**

<b>Segments</b>	<b>Number of Observations</b>	<b>Within Cluster Sum of Squares</b>
Cluster 1	20	0.000
Cluster 2	24	0.000
Cluster 3	38	0.000
Cluster 4	25	0.000
Cluster 5	28	0.000
Cluster 6	1	0.000
Cluster 7	22	0.000
Cluster 8	25	0.000
Cluster 9	11	0.000
Cluster 10	50	0.000
Cluster 11	10	0.000
Cluster 12	31	0.000
Cluster 13	20	0.000
Cluster 14	35	0.000
Cluster 15	20	0.000
Cluster 16	12	0.000
Cluster 17	8	0.875
Cluster 18	27	0.000
Cluster 19	138	206.174
Cluster 20	176	216.875

strategic planning initiatives enhancing customer visitation and satisfaction.

A preliminary draft of the data collection instrument was pre-tested with undergraduate students and the zoo management. The final product turned out to be a rather well formatted and concise questionnaire consisting of 26 items covering a range of topics that pertained to the zoo and strategic issues facing the management. The data was procured from a convenience-based random sample of visitors at the local zoo. Personal interviews in a mall-intercept fashion were conducted. A high response rate was made possible through personal interviews assuring respondents of anonymity, stating the contribution of the study in improving their future visits to the zoo, and offering a token incentive for participation in the study. A total of 743 surveys were returned out of a possible 1100 (Response Rate 67.55%).

Descriptive statistics on the sample profile indicate that 56.28% of the people visiting the zoo were female, while 43.44% were male. The largest number (38.16%) of visitors fell between the ages of 25-39. Twenty-two percent of the visitors make between \$30,000 and \$39,999 annually. The majority of visitors, 51.98% are married, while 37.71% reported being single. People with children accounted for 57.69% of all visitors, 36.14% had two children (under 18) in their home. 62.76% of the visitors reside within the county and 45.11% traveled less than 15 miles to get to the zoo. The typical visitor is a married female, with 2 children, has an income between \$30,000 and \$39,999, and travels less than 15 miles to get to the zoo.

From this survey, we selected several questions that depicted benefits that the zoo visitors might derive from the zoo. These selections ultimately became the variables that were used in the cluster analysis. One of

the issues facing the zoo was to ascertain the profitability and feasibility of introducing learning programs on animals, environment, and coexistence at the zoo. The concern was to determine if there was a sizable portion of the market that sought the benefit of viewing the zoo as an interactive educational institution for their children in addition to the benefit of its being a zoological preserve. In order to aid the decision making process, three variables that dealt with income levels, number of children in the household, and willingness to support a learning program at the zoo were analyzed using the multivariate cluster analytic model. After the cluster analysis was run, a graph or Dendrogram was produced that graphically depicted the clusters that we were seeking. The next step is often referred to as 'cutting the Dendrogram' (Johnson and Wichern 1988; Milligan 1980). Clusters are identified and *cut* based on a Cut or Amalgamation Statistic provided by the procedure and researcher judgement (Morrison 1976).

In this particular case 20 distinct market segments emerged. Based on within cluster sum of squares the most homogeneous segments were identified (Table 1). We were seeking within cluster sum of squares to be as close to zero as possible indicating a tight spread around the centroid. In addition we were interested in clusters being as dissimilar to each other as possible in order to achieve heterogeneity across segments. We use the distances between cluster centroids to ensure heterogeneity. Although we now have very distinct clusters, or segments, the task of segmenting the market is far from complete. The final steps that need to be taken involve the application of the initial variables to the clusters and the decision making process about what the clusters actually mean. Labels accorded to each segment are largely based on inputs obtained from zoo management. Eventually, based on management input two feasible segments emerge which seek the benefits offered by a learning program at the zoo.

#### LIMITATIONS AND FUTURE RESEARCH

During the course of implementing this research project several limitations became apparent. First, our data was obtained late in the season (in the face of severe

winters in the local area) and as a result zoo visitation numbers were lower than normal. Sampling errors might have crept in. Second, there were no past studies available to compare our results across samples or alternate segmentation models.

Use of a cluster analytic model imposes certain limitations on our findings. First, the data set that is utilized when performing cluster analysis needs to be one of perfection (Milligan 1980). There is no provision in the cluster analysis procedure for missing values. Secondly, the need for superior computing power arises when conducting this type of analysis.

The lack of a direct comparison between conjoint and cluster analysis is a weakness that was unavoidable in our study. It was not possible to procure the data necessary to perform a conjoint analysis and the cluster analysis without angering our respondent base. Duplication of information throughout the sample would have been necessary in order to overcome validity issues raised by comparing models across two samples. One would always doubt if results were indeed dissimilar due to differences in models or because of differences in sample. The need for specialized data to run conjoint-based models further illustrate the ease with which multivariate cluster analysis can be performed with rather simple data from a standardized and versatile questionnaire.

In summary, we have presented a statistical model using multivariate cluster analysis as a possible alternative to the error prone conjoint model of benefit-based market segmentation. This model, if proven effective, could be applied to other businesses and industries. In the instance of the case study that was performed several distinctive clusters were obtained. These clusters exhibited the traits that are desired in market segments – homogeneity within the segment and heterogeneity across the segments. However, given the very infantile nature of this type of statistical theory, there is much work to be done in getting to the point where multivariate cluster analysis is a reliable and accepted method for producing benefit-based market segments.

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# USING ELECTRONIC SURVEY METHODS TO MEASURE PERCEPTIONS OF BANKS VERSUS CREDIT UNIONS

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## ABSTRACT

*This study uses electronic survey methods to gather information about consumer perceptions concerning banks versus credit unions. This analysis indicates that consumers have a better impression of credit unions than they have of banks. This paper details survey results, and presents implications for financial institutions.*

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## INTRODUCTION

Credit unions are not-for-profit cooperative financial institutions, owned by and operated for the benefit of their members (see Fried, Lovell, and Knox 1994). With the passage of the Depository Institutions and Monetary Control Act (DIDMCA) of 1980, and the general deregulation of the financial environment between 1977 and 1984, they have become more competitive with banks.

Credit unions compete with commercial banks directly in the area of services offered. These services include first mortgage lending which is one of the most rapidly growing portions of the credit union loan portfolio (see Tripp and Smith 1993). Kaushik and Lopez (1994), find that the products offered by credit unions are growing increasingly diversified. In a later study, Kaushik and Lopez (1996) observe that total credit union loan portfolios have grown more rapidly than commercial banks. In the same study, they find credit unions have become more profitable than banks. Since 1985, the growth in credit union equity capital is consistently greater than twice the growth in the equity capital for banks.

These competitive improvements have been predicted by economic theory. In one of the earliest studies of credit unions, Taylor (1971) suggests that because credit unions are owned by and operated for the benefit of members, they are more cooperative in sharing information. Being part of a cooperative movement enhances the likelihood that credit unions will share performance-enhancing ideas for the benefit of weak credit unions and for the benefit of the movement as a

whole (See Fried, Lovell, and Knox). This increased information is a primary reason that credit unions have been so successful. This paper examines whether the consumer perceptions have kept pace with credit union progress.

Many consumer behavior studies have investigated various aspects of customer service in the banking industry. Nader, Johnson and Buhler (1995) determined the degree to which customer satisfaction with the bank's loan service has on their loyalty to the bank. Meyers and Mullins (1997) examined the level of accuracy of automobile loans from all financial institutions and the implications for customer service.

This paper examines the perceived level of satisfaction for banks compared to credit unions. Respondents were asked to indicate their level of satisfaction for their bank and/or credit union on a scale of 1 to 5 (1 is poor and 5 is excellent) in the areas of location, courtesy of employees, convenience of hours, parking, ease of doing business, borrowing rates, rates on certificates of deposit, variety of services offered, service fees, and overall impressions. The scope of this study will be expanded in the future after the authors receive funding to support the research.

## SURVEY: METHODOLOGY

This paper examined customer perceptions of bank and credit union customers in a community of approximately 30,000. (Note: The county's population is approximately.) There are ten banks and seven credit unions in the area. Because of the lack of funding and the preliminary nature of this research, we limited the

participants of the survey to the faculty at a state university. Future research will examine a broader subset of the local market's population. Since the university faculty represent an important target market in a community in which the university is a major employer, this information reflects an important subset of the total market for financial services. Using the electronic mail facilities of the university, we were able to send surveys to the entire faculty. There were 280 surveys sent and 110 were returned. The total number of usable surveys was 100. This represents a response rate of 36 percent.

The authors believe that there is not a significant amount of nonresponse error. This is because those who did not respond are not essentially different from those who did. The respondents are from a variety of departments. The age, number of years of employment, and gender of the respondents are proportionate to the composition of the faculty (See Zikmund 1997).

The survey was organized to examine the split between the external features and the internal missions of banks versus credit unions. The external features include location, employee courtesy, employee knowledgeability, convenient hours, parking, and general ease of doing business. The internal features include borrowing rates, CD rates, variety of services, service fees. The survey concludes with the overall impression of the business. If credit unions are perceived as no different from banks, credit unions would do no worse than banks on questions dealing with the internal features of the bank.

### **SURVEY: TECHNOLOGY**

As mentioned above, the survey was conducted using the University's electronic mail facility. This technology allowed us to conduct the survey very inexpensively and quickly. By using E-Mail facilities, we were able to eliminate most of the problems conducting a paper survey. We were able to eliminate postage, mailing lists, and envelope stuffing. Additionally, the electronic mail technology collected the surveys, and ran statistics. The surveys were received within 36 hours of their being sent. Our research shows the great potential of electronic technology for understanding the market.

Unfortunately, there is a downside to this technology. First, we chose a limited audience with an interest in research. A wider audience might simply delete the survey. Additionally, this type of survey has the potential of missing very large segments of the market. Most faculty members are accustomed to computer technology, and use it effectively. A less computer literate audience

would not have responded as readily. Even with faculty members, several surveys were unusable due to being improperly sent. Finally, this was one of the first surveys conducted by E-Mail. Immediately after, faculty received three E-Mail surveys. We believe that we may have been the beneficiary of the novelty of the technology. Nevertheless, this has been a very timely, and cost-effective manner of surveying an audience, and more electronic technology will be used in the future for market research.

### **SURVEY: BASIC RESULTS**

Ninety-six percent of the respondents indicated that they have an account at a bank, while 61% indicated that they have an account at a credit union. The bank had a more favorable response in two of the eleven variables. The banks had an average score of 3.773 for the convenience of hours, compared to the average score of 3.557 for the credit unions. The banks had an average score of 3.619 for the variety of services offered, compared to an average score of 3.574 for the credit unions. Although these responses were better for the banks, the differences were not significant.

The respondents have better perceptions of the employees in the credit union than they do for the employees in the bank. For example, the respondents perceive the employees at the credit unions to be more courteous than the employees at the banks. The average score for the banks was 4.021 compared with a score of 4.541 for the credit unions. The employees at the credit unions were perceived as being more knowledgeable than the employees at the banks. The average score for the bank employees was 3.804 compared to a score of 4.377 for the credit unions.

The overall impression the respondents have for credit unions is significantly higher than it is for banks. The average score for the credit union is 4.316 compared to 3.753 for banks. Part of the explanation could derive from the perception that service fees are significantly lower at credit unions. The respondents gave the credit union an average score of 3.787 for the question dealing with the level of satisfaction for the service fees. The average score for the level of satisfaction with the service fees charged by banks is 2.629.

### **SURVEY: PAIRED DIFFERENCE TESTS**

The competitive edge of the credit union is more clearly demonstrated by the paired differences test. We took the differences (credit union response minus bank

### Exhibit 1 : Survey Results

Please rate your bank/credit union on a scale of 1 to 5 (1 is poor and 5 is excellent) in terms of:

	Banks		Credit Unions	
	Response	Std. Dev.	Response	Std. Dev.
location	3.99	0.576	4.25*	0.603
employee courtesy	4.02*	0.471	4.54**	0.401
knowledgeable employees	3.80	0.499	4.37**	0.375
convenient hours	3.77	0.561	3.56	0.507
parking	4.21*	0.490	4.30**	0.414
ease of doing business	3.95	0.577	4.13**	0.473
borrowing rates	3.07	0.526	3.61	0.440
certificate of deposit rates	2.73	0.444	3.13	0.400
variety of services offered	3.62	0.495	3.57	0.434
service fees	2.63	0.603	3.79**	0.342
overall impression	3.75	0.509	4.36**	0.303

\* Significantly different from neutral at  $\alpha < 0.05$ . \*\* Significantly different from neutral at  $\alpha < 0.01$ .  
 \*\* Significantly different from zero at  $\alpha < 0.01$ .

### Exhibit 2: Paired Differences Test

Category	Diff. Betw.	Sample	t
	CU & Bank	Std. Dev.	
location	0.26	0.083	3.12**
employee courtesy	0.52	0.179	2.91**
knowledgeable employees	0.52	0.179	2.91**
convenient hours	-0.21	0.286	-0.73
parking	0.09	0.206	0.44
ease of doing business	0.18	0.278	0.64
borrowing rates	0.54	0.139	3.87**
certificate of deposit rates	0.40	0.149	2.69**
variety of services offered	-0.05	0.658	-0.76
service fees	1.16	0.240	4.83**
overall impression	0.61	0.175	3.49**

\* Significantly different from neutral at  $\alpha < 0.05$ . \*\* Significantly different from neutral at  $\alpha < 0.01$ .

\*\* Significantly different from zero at  $\alpha < 0.01$ .

response) in the responses to each question, and examined the hypothesis that the difference was equal to

zero. The only categories in which banks outperformed credit unions (convenient hours and variety of services)

\* Significantly different from neutral at  $\alpha < 0.05$ .

\*\* Significantly different from neutral at  $\alpha < 0.01$ .

\*\* Significantly different from zero at  $\alpha < 0.01$ .



were not significantly different from zero. Therefore, in the only categories in which banks did better, the difference was not statistically significant.

As far as credit unions are concerned, for the categories in which credit unions outperformed banks, every category was statistically different from zero except parking and ease of doing business. For the categories which were statistically different from zero, the hypothesis that there was no difference between banks and credit unions was rejected at the 1% level ( $\alpha < 0.01$ ).

Examining the results based on the external factors (the first 6 categories), credit unions outperformed banks in 3 of the six areas, location, employee courtesy, and employee knowledgeable. In the items concerned with the internal mission of the financial institution, credit unions significantly outperformed banks in every area but variety of services offered. This may be the result of credit unions historically being limited in the services that can be offered. These results suggest that credit unions are more effective than banks at meeting consumer needs.

Although these results reflect negatively on banks, there are significant segments of the banking market whose perceptions are ignored. In order to simplify the survey, respondents were not asked to state why they do not have an account with either a credit union or a bank. In other words, consumers who did not have an account at a credit union were not surveyed as to their reasons for not having such an account. If this negative information were included with the positive information on credit unions, the results for the credit union might well have been worse.

### **IMPLICATIONS FOR FINANCIAL INSTITUTIONS**

Banks need to do a better job of training their employees because the employees at the credit unions are perceived as being more courteous and knowledgeable. The bank should consider their employees to be 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 primary evaluator should be the employee's immediate superior because this individual has the most direct knowledge about sales performance. The performance

evaluation should appraise the employees' past performance, develop plans to increase future performance, and motivate improvements in performance.

Credit unions could consider expanding their hours of operation and the variety of services offered. Historically, credit unions have not been permitted to offer all the services of a bank. However, as the deregulation of the financial market continues, credit unions will more directly compete with banks.

The survey results indicated that 96 percent of the faculty have bank accounts, while only 61 percent of the faculty have accounts at a credit union. The credit unions could offer incentives to existing customers who bring in new customers. Promotional efforts that stimulate word-of-mouth advertising are very effective in the financial services sector. For example, it has been estimated that 17 percent of men and 20 percent of women rely on the advice of others before making a personal loan (See Walker 1995).

### **SUMMARY**

This paper has examined consumer perceptions of banks versus credit unions. Using electronic survey methods, the authors examined consumer perceptions by surveying the faculty members at a university in a community of 30,000. The survey examined consumer perceptions in two primary areas. First, it examined external factors. Next, the survey examined factors internal to the mission statement of the financial institution.

The electronic nature of this survey suggests that further cyber-based methods can be an important tool in future market research techniques. This survey was conducted more quickly and more cheaply than it could have been done using standard survey techniques. Electronic methods also greatly reduced the personnel requirements to conduct this survey. Unfortunately, there are certain negatives associated with these means of analysis. The two most obvious are lack of familiarity with the technology and more limited audience. However, as the use of computers spread through the economy, these limitations will diminish in importance. In general, the use of electronic means to gather information on customers is likely to increase the marketer's knowledge about the consumer, and allow businesses to serve consumers more effectively.

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# THE EFFECTS OF RANDOMIZED SCALES ON SCALE-CHECKING STYLES AND REACTION TIME

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## ABSTRACT

*Study was conducted to determine whether scale-checking habits would cause differences among responses to three types of semantic differential scales: a scale in which all the favorable adjectives were on the left side of the scale; a scale in which all the favorable adjectives were on the right side of the scale; and a scale in which the right-to-left and left-to-right scales were randomly mixed. The questionnaire consisted of fifteen items designed to rate the customer attitude toward three local malls. One additional issue of interest was to test if the reaction time to each of these scales was significantly different. Results regarding the reaction time showed a need for a replication of the experiment with a larger sample, to obtain conclusive results. As expected, the reaction time for the random scale displayed more variability around the mean. The type of scale used had a definite and statistically significant effect on the responses. The L-R scale biased the responses towards the favorable adjective, the R-L scale generated a bias in the opposite direction, the mixed scale successfully eliminated any such bias. The implications of the finding are of interest to marketing scholars and practitioners that regularly use semantic differential scales and are concerned about the psychometric properties and consequent validity of the results obtained.*

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## INTRODUCTION

Rating scales are widely used by marketing researchers to measure consumer attitudes toward a variety of stimuli. Some decisions involved in the construction of a rating scale are: the number of points to use in the scale (Cox 1980; Friedman and Friedman 1986; Lehmann and Hulbert 1972), the descriptors to use for the scale positions (Bartram and Yielding 1973; Mittelstaedt 1971; Myers and Warner 1968; Wildt and Mazis 1978), balanced (equal number of favorable and unfavorable categories) versus unbalanced scale (Friedman *et al* 1981). Rating scales have often been compared in order to determine their efficiency as attitude scales. These studies usually focus on the staple, semantic differential, and Likert-type scales (Cronkhite *et al* 1971; Hawkins *et al* 1974; Menezes and Elbert 1979). Little research has been done in the *construction* of rating scales that consider and correct for bias due to scale-checking habits (Heise 1969).

Prior research in Scale-checking habits includes Drevenstedt (1975) which investigated the scale-checking habits of older versus younger people concerning their choice of neutral, intermediate, and extreme positions on the semantic differential scale. Others have compared female versus male respondents in their use of extreme scale positions on the semantic differential scale (Priest 1971).

One important consideration in constructing a semantic-differential type scale using bipolar adjectives is whether the placement of the 'favorable' adjective on the page affects the subject's response. Do subjects respond differently depending on whether the favorable adjectives all appear on the left side of the scale or the right side of the scales? If so, should the researcher use a random mix of left-to-right and right-to-left scales in order to minimize the possible halo effect? Holmes (1974), compared these scales in the study with the primary focus on the test-retest reliability. He concluded that there was a possible bias towards the left side of the scale, although the results presented were only for the retest. Churchill and Peter (1984), in a meta analysis which studied the reliability of various types of rating scales, found little difference in the reliability between these scales.

The purpose of the current study was to determine whether scale-checking habits would cause differences among responses to the three types of semantic differential scales. First, a scale in which all the favorable adjectives were on the left side of the page [L-R]. Second, a scale in which all the favorable adjectives

were on the right side of the page [R-L]. And finally, a scale in which the right-to-left and left-to-right scales were randomly mixed [Mixed].

The data collection instrument was administered on a computer network. True randomization is elusive, especially on paper. However, the use of a computer-based data collection methodology could reasonably ensure randomness. An additional advantage due to the use of software algorithms was the precise measurement of response time which led to a related research question. We expected that the mean of the response time for the random scale would be significantly higher than the other two. It was also expected that the variability around this mean would also be larger.

The hypotheses of the study were as follows. Hypothesis 1: The mean of the responses to the three scales would be significantly different from each other. Hypothesis 2: The response time of subjects to the items with the randomly mixed scale would be higher than the L-R or R-L scales. Hypothesis 3: The variance in the response time to the items with the mixed scale would be higher than that of the L-R and R-L scales.

## METHODOLOGY

A sample of graduate and undergraduate students was obtained through a stratified random sampling procedure. The respondents were to evaluate three local malls on five attributes, parking facilities, prices, variety of stores, quality of goods, and attitude of salespeople. Each subject responded to three questionnaires pertaining to each of the three malls, but the order of appearance of these questionnaires on the screen was varied to avoid any contamination due to the order of presentation. Each of these questionnaires had a specific rating scale attached to the item, either a L-R, R-L, or Mixed. One half of the subjects answered the questions one at a time, while the other half were to respond to blocks of five questions at a time. These procedures helped in reducing the confounding effect of an item-bias, and lent rigor to the experiment through a minimized within subject measurement error.

The Respondents were identified by an address code in order to ensure anonymity. The order of the questions, and the appearance of questions one at a time or in blocks were randomized by an in-built function in the program. The program assigned experimental conditions randomly. The experimental conditions assigned were recorded in the response database, along with the responses. The program recorded and stored the

elapsed response time in  $1/100^{\text{th}}$  of a second in the response database. The questions were stored in a stimulus database, and the L-R and R-L scales were stored in temporary memory variables while the program was being executed. This ensured that depending on the experimental conditions assigned to the subjects (by the algorithm), the order of presentation, the sequence of display, and the 'Mixing' of scales for the Mixed scale questionnaire were truly random.

The three questionnaires were identical, except for the direction of the semantic differential scale adjectives. The raw data suggest that the assignment of experimental conditions and the ensuing experimental manipulations were truly random, and thus are deemed successful. Each scale contained seven points. Values of one through seven were assigned to these points. Only the descriptors appeared on the right or left depending on the specified conditions while the numeric anchors were held steady. For the purpose of statistical analysis the responses were recorded so that the numeric anchor of one was always associated with the favorable adjective regardless of whether it appeared on the right or the left of the scale.

## RESULTS

Table 1 displays the summary statistics, broken down by the L-R (Order=A), R-L (Order=B), and Mixed (Order=C) scales. The mean response (Variable: RESP) is biased to the left (Mean=3.23) in the L-R scale. The bias reverses (Mean=4.14) when the direction of the scale is R-L. The Mixed scale provides a mean response of 3.6857, which seems to suggest a reduction in bias towards any one direction. The variability in the responses to the R-L scale is much higher than the other two (Std. Dev.: 1.75).

The mean reaction time (Variable: REACT) to any one of this scale does not seem to be very different. However, the Range of the reaction time to the Mixed scale is much higher than the other two (23.26 v/s 18.77 & 17.75 seconds, respectively). The variance of the reaction time to the Mixed scale is the highest among the three.

We used the general linear models procedure of SAS to measure the statistical significance of the effect of the scales upon the responses. Results establish a significant effect of the scale choice on the response elicited (F: 3.03, P: 0.0525) at 0.1 level of significance. For an effect this significant with a small sample size, we could relax the strict statistical code of conduct and

Table 1

Scale Type	Mean Response	Mean Reaction Time
L-R	3.23	6.37
R-L	4.14	6.44
Mixed	3.68	6.65

consider this statistic significant at 0.05 level of significance. Results of a least significant difference T-test, at 0.05 level of significance (critical value of T: 1.98) a difference in means of over 0.7363 was considered significant. While mean response to the L-R and R-L scales are significantly different, an indicator of the bias generated, the mean response to the Mixed scale seems to be a compromise, balancing out the bias in any one given direction.

Results of the general linear models procedure using reaction time as the dependent variable show that the relationship of scale type to the reaction time turned out to be highly insignificant (F: 0.08, P: 0.9264). However, given the sample size and the difference in the Standard Deviations and the Range of the reaction time associated with the three scales, these results could be termed inconclusive. The T-test (LSD), places all three means in a single group further strengthening the results of the linear model.

scales could reduce the intercorrelations among the items, threatening the internal consistency of the scale used. However, it does provide advantages that far outweigh any such threat. Placing all the favorable descriptors on the left side of the semantic differential scale had the effect of shifting responses to the left, that is, toward the more favorable side of the scale. Placing all the favorable descriptors on the right side produced a shift toward the unfavorable descriptors. The biasing effect of the descriptor position is evident from the study, even with the limited sample size. Researchers would ensure better validity by using a mixed scale. If the reaction time to all three types of scale are indeed found to be statistically equal, the argument of respondent fatigue and annoyance due to the use of a mixed scale could be ruled out. The limited sample employed in this study could not conclusively prove this point, and need for future studies does exist.

## DISCUSSION

Randomly mixing right-to-left and left-to-right

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# THE ETHICS OF RELATIONSHIP MARKETING: AN EFFECTIVE STRATEGY OR AN UNWELCOME INTRUSION?

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## ABSTRACT

*Relationship marketing has been described as the hottest topic on the practitioner level. By incorporating certain relationship building incentives and rewards, a retailer might be better able to attract, maintain and enhance customer yield this study questions the ethics of engaging in personalized mailing campaigns with the hope of building long term relationships.*

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## INTRODUCTION

Relationship marketing has been described as everything from "prehistoric marketing" (Alonzo, 1994) to a new "holy grail" (Mitchell 1995) for marketers. The literature includes work on the subject under the terms relationship marketing (Berry 1983), data base marketing (Alonzo 1994), one to one marketing (Vavara 1992), retention marketing (Schultz 1995), and loyalty or affinity marketing (Barlow 1994). It has been the subject of several books (see especially Vavara 1992 and Peppers 1993) and has been called the hottest topic in direct marketing at the practitioner level (Schultz 1995).

Leonard L. Berry is generally credited with introducing the term relationship marketing in 1983 in the context of services marketing. He described it as a "strategy to attract, maintain, and enhance customer relationships" (Berry 1983). Gonroos proposed a more formal definition in 1989 which included the goal of yielding a profit "through a mutual exchange and fulfillment of promises" (Gonroos 1989).

The fascination with relating to customers individually rather than in mass has attracted the most influential marketers. Philip Kotler wrote, "we are witnessing today a movement away from a focus one exchange and toward a focus on relationships" (Kotler 1991). The topic has been examined by scores of popular business magazines and at least three books (see especially Vavara 1992).

One academic journal editor noted that while relationship marketing was the hottest topic at the

practitioner level, it was virtually ignored by the academic community (Schultz 1995). As if in response, a special issue on relationship marketing was published by the Journal of the Academy of Marketing Science in the Summer issue, 1995.

The focus of that issue is an article by Sheth and Parvatiyar (1995) in which they contend that the fundamental reason consumers participate in marketing relationships is that they want to reduce their choices. While many of the authors debate the question of why consumers are attracted to these campaigns, there is no serious examination of the possibility that some consumers have no interest at all in having long term relationships with a business. Sheth and Parvatiyar mention in passing that, "...advantages of relationship marketing can accrue to a firm if, and only if, consumers are willing and able to engage in relationship patronage" (p.256). It is suggested that consumer receptivity to these campaigns be studied.

The bulk of the academic literature to date conveys a great deal of excitement about relationship marketing and its potential impact both theoretically and pragmatically. It is often referred to as the "new paradigm in marketing." In contrast, a review of the more popular business reveals some concern about the logistics, effects and even popularity of relationship marketing. This paper attempts to explore these concerns by taking a candid look at relationship marketing as it is currently being practiced by retailers. In addition, two studies on consumer receptivity to relationship marketing will be examined.

The following questions were generated to guide the research:

1. How has relationship marketing been defined in the marketplace by retailing practitioners?

What do these programs offer consumers and how have they been received?

2. Do consumers want to engage in relationships with retailers?

3. Do retailers have concerns about engaging in relationships with consumers?

Department stores began launching or testing loyalty/relationship marketing programs late in 1990. Sears Best Customer and Saks First were the earliest examples. Both depend almost exclusively on soft benefits like special treatment and recognition, upgrades, special check in lines, exclusive discounts and access to member's only events. These programs are limited to customers with the store's credit card. While these are inexpensive to provide, and use minimal communication, they can be easily matched by competitors. Any potential for sustained competitive advantage is low. Both programs reportedly created sales increases among members of more than 12% (Barlow 1994).

British Airways has introduced its Executive Club which offers Air Miles, status and recognition. A select few will be encouraged to meet British Airways executives face to face as guests at sporting events. They may even dine with senior management. Nestle's has experimented with the Buttoni Club, an Italian cooking club. Members receive a newsletter with recipes and articles, and a chance to win a "cooking holiday" in Italy. Members' per capita consumption of pasta is five times the national average and the proportion staying loyal has increased 10% since the program.

American Express has introduced "relationship billing." Each bill includes specially generated and targeted offers. If a member frequents a particular restaurant, he/she might be offered a free bottle of wine courtesy of American Express. Macy's, Bloomingdales, Dayton - Hudson, JC Penny and Nordstrom also have programs. Most rely on soft benefits but Macy's and Nordstrom have points redeemable for store gift certificates.

While few statistics are available on the success of these programs, industry watchers say they continue to share common obstacles. They are all limited to consumers with the store's credit card. Most of the programs appear to be sparsely funded, relying on inexpensive soft benefits. While a soft benefits only

program can produce strong results initially, results decline as competitors easily match those benefits. Even the hard benefits such as cash back or redeemable points are poorly funded.

Member communications in most of the programs are infrequent and at best marginally customized. Some programs rely solely on statement stuffers. The end result has been described as "a stream of offer-driven, targeted sales mail masquerading as member information." The same author concludes, most department stores are not ready to launch effective relationship strategies (p. 23). Concern about the current approach is shared by Don Schultz, editor of the *Journal of Direct Marketing*. He describes popular efforts with the following: "keep mailing until you create a relationship." The implication is clear. Retailers have defined relationship marketing in terms of particular behaviors. Customized mailings are often cited as evidence of a relationship strategy. Other popular behaviors include sending thank you notes, giving gifts for frequent patronage, and personalized mailings tied to a customer's birthday, etc. All this is done because the retailer is convinced these behaviors will lead to acquisition and retention of customers.

One researcher notes that "relationship marketing assumes as a core philosophy that the organization desires to form a long term relationship with its customers" (Mc Cort 1994). Unfortunately data to date has been scant on whether or not consumers desire to form a long term relationship with retail organizations. A study conducted by The Henley Center for Brann, a direct marketing agency in England reports consumers "don't see themselves as having ongoing relationships with a company and don't want one" (p.25). Their survey of 1000 consumers reveals that fear and suspicion of company motives make relationship marketing appear to be just "another way of selling."

The first consumer study in the United States on receptivity to relationship marketing was conducted with 700 mall shoppers at a large Northeast mall (Barnes 1997). The Barnes study was based on an earlier attempt to operationalize Carl Rogers theory of interpersonal relationships to measure the extent of relationship marketing in the service industry (see McCort 1994). With minor adaptations for the retailing environment, Barnes used the same variables to query shoppers about the importance of each element in their store patronage decisions. Participants were asked to evaluate the importance of different marketplace characteristics or behaviors. The list included: Telephone ordering,



delivery service, extended store hours, an 800 telephone line, hours of operation, on site help, reminders of special occasions, availability of product information, personalized mailings, alterations, lessons/seminars, expressions of gratitude, and gifts for frequent patronage.

Shoppers were also asked to indicate their willingness to provide certain kinds of information to retailers: Age, gender, educational background, income, ages of family members, dates of special occasions, hobbies, product preferences, buying habits, and frequency of shopping trips. (Each type of information tested was derived from the available literature on current strategies employed by retailers involved in relationship marketing campaigns).

The Barnes study concludes that traditional marketing variables like store hours, availability of help etc., are the most important characteristics of a retail store. Personalized mailings, thank you notes and gifts for patronage were all evaluated as relatively unimportant to consumers. Most consumers report a willingness to share product preferences, their gender, age, or shopping habits. They are less willing to share hobbies, educational background, and their preferred method of payment. They are least willing to tell retailers birthdays, anniversaries, or other special occasions, ages of family members, and their income. Both the Brann and Barnes studies indicate a reluctance on the part of consumers to participate in relationship marketing campaigns. They suggest retailers might be better served by providing good products and service with attention to convenience and accessibility.

Retailers have expressed some concerns about entering into these marketplace relationships. They will now have to engage in management of classes of consumers. The very creation of classes may be distasteful to some retailers and not well received by some customers. There are costs and liabilities that need to be assessed. The impact of personalized mailings which will multiply exponentially as retailers launch new campaigns, will ultimately be diluted. There are concerns about confidentiality, privacy, and even environmental impact as a result of the trend toward relationship marketing.

These programs are data base dependent, mandating at least some initial investment in computer hardware and software to manage the information. The data base must be continually monitored, expanded, and updated. Each interaction should expand the data base and enhance the consumer profile. This implies expense

for equipment, technological expertise to manage the data base effectively (coordinate personalized mailings, special communications etc.) and training employees to focus on relationships rather than transactions.

## IMPLICATIONS AND CONCLUSIONS

Many large retailers appear to be experimenting with relationship marketing campaigns. Most use a credit driven and credit limited system in which only customers with a store card can participate. Typically soft benefits are used to entice these consumers and encourage their loyalty. This form of rewards is inexpensive and easily duplicated by competitors.

Consumer response to the notion of engaging in long term relationships with retailers appears to be less than enthusiastic. In one study, shoppers rated store hours, on site help, an 800 telephone number, and free delivery as being of greatest importance to them. The more interpersonal relationship inducing variables such as receiving expressions of gratitude, personalized mailings, etc. were rated relatively unimportant. Another study reveals consumer suspicion of company motives and a reluctance to engage in marketplace relationships.

This resistance continues to be evident when shoppers were asked to rate their willingness to provide retailers with information. Shoppers report some willingness to share product preferences, their age or gender. They are however, most reluctant to report birthdays or special occasions, ages of family members or income levels. This would make some types of personalized mail difficult.

Retailers engaging in relationship marketing need to be prepared for the commitment and expense involved. Relationship building is a long process. It is dependent on the technology to personalize the buying experience. Data bases need to be created, managed, and continually expanded. Sales people need to be retrained to focus on the customer and not on the transaction.

Leonard Berry suggests that some customers, unreceptive to relational strategies, might still be profitable as transactional customers. He warns that, "the current focus on relationship profitability should not be interpreted as a mandate to forfeit customers lacking relationship potential" (Berry 1995, p.239) He goes on to encourage retailers to consider multiple strategies targeted towards different market segments.

This study does not support the wholesale

plunge into relationship marketing currently being promoted in the business literature. It would be foolish to deny that merchants who make an effort to better know and service their customers will be more successful. Gonroos (1994) quotes a Middle Eastern proverb, "As a merchant, you'd better have a friend in every town." The wisdom of those words still apply. The results reported here support that notion of some retailers spending time

and effort on more traditional retailing strategies. It may not be prudent for all retailers to go down the road of creating databases and engaging in personalized mailing campaigns with the hope of building long term relationships. Relationship marketing between retailers and consumers might prove for some to be just another bandwagon, or worse, might leave consumers feeling that retailers have stepped over the line.

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# OMNIPARTIAL RULE-MAKING IN EMERGING INDUSTRIES

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## ABSTRACT

*This paper applies the ethical process developed by Green to the resolution of conflicts inherent in an emerging industry, computer software.*

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## INTRODUCTION

The essential characteristic of an emerging industry from the viewpoint of formulating strategy is that there are no rules of the game. The competitive problem in an emerging industry is that all the rules must be established such that the firm can cope with and prosper under them. The absence of rules is both a risk and a source of opportunity; in any case it must be managed (Porter 1980, p. 216).

This statement arguably is a good characterization of the computer industry in its current state. What also needs to be remembered is that while there may be few rules within the industry and that they are emerging from practice, this industry does not operate in a social/political vacuum. There is an existing body of law and social expectation about the role and operation of business in U.S. society. Therefore, the competitive strategies undertaken by firms in the industry are being assessed against a background of "fair play" and analogy. A number of specific activities have been cited by observers as questionable on ethical grounds, while the legality of some of the practices is being defined on a case by case basis in the courts (Johnson and Post 1996).

Since the computerization of America has been underway for some thirty years, one may wonder why this is characterized as an "emerging" industry. From a Porter inventory of features, however, this is so: high technological uncertainty, strategic uncertainty, high initial costs, many embryonic companies and spin-offs, many first-time buyers, short time horizon, and subsidization of the technologies (Porter 1980). Thus, for the firms in the computer arena, "the overriding strategic issue...is the ability of the firm to shape industry structure....the firm should seek to define the rules in the

industry in a manner that will yield it the strongest position in the long run." Porter (1980, p. 230) notes that from society's point of view, the short term needs of "the" firm may not be in the best interests of all the other major stakeholders: customers, the public, owners and future competitors. For this paper, we seek to examine the specific practices of several forms within the frame work of the Neutral, Omnipartial Rule-Making system following Green (1994).

The value of this particular method is that it enables the consideration of the interests of all parties and yet clearly identifies the problem while developing with a set of principles based on pragmatic and value orientations. "...moral reasoning is meant to be a source we can appeal to when our interests conflict. Morality thus involves general and publicly known social judgments about which kinds of conduct we can tolerate in our midst and which we cannot" (Green 1994, p. 87). In Green's system, conflicts can be resolved using a reasonable person standard looking at issues in an informed and impartial manner. Whether this is so is also a focus of this paper. Moreover, this approach seems like a useful one for the academic consideration of the social and business issues involved in rule establishment in an emerging industry.

## ISSUE 1, MARKET DOMINANCE

Suppose that there is a firm, Omni World Systems, which develops the first widely accepted business operating system and over a period of time gains market dominance. This firm tried establishing alliances with many firms to gain wider acceptance for its products. For example, it made arrangements with dominant personal computer manufacturers to install the operating system, selling the operating system to the

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Figure 1

- Rule 1 Whenever a firm develops a "gatekeeping" product they may use that position to favor themselves without regard for the impact on competitors and consumers.
- Rule 2 Whenever a company has a dominating market position it may improve profitability by inflating prices and creating obsolescence.
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Figure 2

- Rule 3 When ever a firm develops a "gatekeeper" product it must build a barrier between that product and dependent products.
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manufacturers at heavily discounted prices. In the mean time, they sold the operating system to the owners of PCs at substantially higher prices. As the firm gains dominance it also starts making similar arrangements to sell its new basic office application software at similar discounts. After developing this office suite the company began withholding or delaying information about the operating system to competing software companies. This meant that other office suite software performed less well on the operating system, thereby favoring the adoption of the company's office software even though it was often considered to be less user friendly and had fewer features. Furthermore, the company habitually released software with major flaws. As these flaws were uncovered and corrected the company would release "new versions" of its software which users could purchase at an upgrade price. Users were paying for essentially a debugged version of the original software. The company forced retailers to remove previous versions of software from their selling shelves. This forced customers over time to purchase expensive new programs simply because the old ones were no longer available. The company also discontinued technical support for old programs forcing consumers to purchase upgrades. The benefits of market dominance was the increasing ability of to create and sell specialized software usable by nearly everyone operating a PC. The cost and frustrations of multiple incompatible operating systems were thus overcome.

Given these circumstances we can develop the NORM rule in Figure 1. The central issue is whether these rules would be beneficial to all the stakeholders in

the industry when viewed impartially. The first iteration of the proposed rule contain some features that would be favorable to the company and its stock holders, criteria important to only partial persons, but the proposed rules leave out features of interest to other stakeholders. This is the method advocated by Green: first state the rule for the current practice, then analyze the rule in terms of its impact on all the major stakeholders.

NORM tells us that if the behavior is morally justifiable the rules would have to be accepted by all those affected by it if they examined the rule impartially. Do the proposed rules pass this test? Let us take a look at the major stakeholders in terms of the current rule.

### **The Company**

Under the proposed rules the company benefits by having full market power to pursue maximum profits. It provides employment to ever larger numbers of people. It has great resources to develop new software. It can attract highly qualified employees by offering above market salaries and apparent security. Stockholders are able to reap above market return on investment allowing the company easy access to capital markets and political influence. Its increasing dominance allows the company to exert power over distribution channels and enforce its rules on retailers. Through the use of its operating system it can control over the competitors by acquiring information about the direction of their research and products.

## **The Competitors**

Competitors are at a serious disadvantage. Their products may be hobbled by phantom defects due to the operating system. Their ideas may be absorbed in revised Omni World operating systems and office products. They may be increasingly unable to offer competitive products at comparable prices. The barriers to entry are so high that few companies, if any, can enter the market place in the short run. In fact, when a competing product or potentially competing operating system does appear in the market place, the relationship of Omni World with computer manufacturers could limit the exposure of the product and stifle its development.

## **The Consumer**

The ability of Omni World to limit or control access to the market by competing products results in fewer choices for the consumer in two areas. The consumer who desires an alternative operating system may find few computer manufacturers who are willing to offer the consumer a computer configured with a competing operating system or to provide technical support for that system. The use of the operating system to provide a competitive advantage to Omni World's Office product results in the business consumer having increased cost as a consequence of compatibility problem. Either the companies current office product creates unnecessary delays or the company must devote additional resources to purchasing Omni World's office products, reconfigure its system, and retrain its staff.

Some office product consumer receive a short run benefit as a consequence of Omni World's practices. When they initially purchase a computer, the software products are essentially free and include the innovations of competing software. However, Omni World's practice of planned obsolescence, charging for upgrades, and not supporting older versions of its product results in the customer having to frequently repurchase the office product. While costly to all organizations, this system has particularly harsh impacts on smaller firms and individual users who have few technical support resources.

## **Computer Manufacturers**

Initially computer manufacturers may benefit from the reduced prices for operating systems. This makes the product's total cost lower to the customer and the product more affordable. The practice of issuing new operating systems which require greater computing power results in increased sales to the manufacturers.

This initial jump in sales causes the manufacturers to increase employment and production. However, in the long run consumers may see no additional benefit to acquiring new computers because the software they employ operates efficiently on existing machines. The manufacturers see a drop in demand and, with the increased overhead from the initial market rush an ever greater decline in profits. To protect the company's profits, the manufacturers welcome Omni World's introduction of a "new" operating system requiring more computing power and accompanied by market withdrawal of the older operating system. The expanding business needing additional computers is forced to purchase the new operating system. The incompatibility of the office software on the new operating system with that of the old systems software places pressure on business consumers to either upgrade existing machines and pay high prices for the new operating system or purchase new machines. Since the cost of upgrades when coupled with the high price of the operating system in many cases exceeds the cost of a new machine the consumer is forced to purchase new machines. On the other hand, the basic sameness of computing do impart to the operating system effects only PC design, put manufacturers in the position of commodity purveyor with little room for truly competitive, innovative products or differentiated products.

## **The Public**

The business consumer of Omni World's products faces higher costs which are passed on to the general public through a combination of higher prices, lower wages for employees or a lower return for investors. Many potential users are dissuaded by the apparent fast obsolescence of durable goods and increasingly complex programs whose features are often of little benefit to the majority of users.

## **The Community**

The community where Omni World resides may benefit through increased employment but the benefit to society in general may be negative as the communities of the competing firms see a drop in employment and economic turmoil when the competing firms go bankrupt. In a world where computerization is increasingly important in all phases of economic activity, the centralization of talent and innovation in one location may lead to economic stagnation in outlying regions having become dependent on enabling innovation from Omni World.

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Figure 3

Rule 4 When ever a firm develops a "gatekeeping" product and has a barrier between that product and dependent products it must ensure there is a fair exchange of value with customers.

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Figure 4

Rule 1 The U.S. government may require manufacturers of encryption software to provide the government with a universal decryption key.

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This examination of the impact of the rules on stakeholders indicates that there are major defects for all parties except Omni World. In particular the close tie between the operating system and application software associated with it retards innovation, increases cost and produces economic rent. Rule 2, see Figure 3, attempts remediate the unfair impact of the current system.

While this iteration of the rule addresses the impact of the current system on competitors and innovation it does not affect the market power of the operating system, the practice of planned obsolescence and pricing issues. How might the existing rule be modified. Rule 4, in Figure 3, represents such a revision.

Rule 4 establishes a fairness principle but implies that Omni World would voluntarily adopt it. Historically, we have seen that this social value has required legal action and court enforcement in other industries. It is, none the less, a reasonable statement of an impartial observer conclusion about a system in which all parties share both risk and reward.

## **ISSUE 2, BALANCING COMMUNITY AND INDIVIDUAL RIGHTS**

The government has long been responsible for securing the nation and fighting organized crime. Currently the government can effectively intercept phone calls and all forms of digital communications. Encryption software threatens to limit activities which discourage international terrorism, industrial espionage, other illegal activities. Without some means to continue monitoring communications the rapid growth of encryption software could eliminate the ability of the government to protect its citizens. Some government agencies believe that a

Federal requirement that all encryption software include a universal decryption key and limiting the export of encryption products will preserve government crime fighting tools. Such a view is represented by rule 1 in Figure 4. Many stakeholders are affected.

### **U.S. Government**

Upon receipt of decryption keys the government is able to continue monitoring communication transmissions in the short run. In the long run, however, as developers outside the U.S. develop and distribute software with no decryption key, domestic and multi-national criminal organizations will obtain this software thus frustrating the prohibition. A less talented pool of encryption programmers may be available to assist monitoring tasks as encryption development and employees move to foreign countries.

### **Developers**

The constraint on developers will cause U.S. developers to lose some domestic sales and loose overseas sales. Firms may become less competitive as there are incentives for foreign developers to develop and market products. Control of the encryption industry may shift from the U.S. to foreign firms.

### **Business Users of the Product**

The fear that government possesses a universal decryption and its possible misuse or release will increase business costs by forcing companies to use more costly, less efficient means of communicating valuable data and information. American generally operate with the assumption that our government is not generally corrupt;

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Figure 5

Rule 2 The U.S. government may not require manufacturers of encryption software to provide the government with a universal decryption key but may restrict the use of the product.

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Figure 6

Rule 3 The U.S. government may not restrict the manufacture, sale and use of encryption software.

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it is possible, however, that some parties in the government could use decryption to enrich themselves or provide information to selected firms about their competitors.

#### **U.S. Private Citizen Users of the Product**

The right of privacy, so prized by many U.S. citizens, is lost when the government has a tool to pry into private citizen conversations. The advent of electronic communication has greatly expanded the government's ability to monitor private conversations. For the first time in history, the government could access private communication with no effective legal restraints.

#### **Employees of U.S. Companies**

The negative impact of this rule on developers is felt through reduced employment and/or lower wages. This may also result in some employees seeking employment outside the U.S.

#### **Non-U.S. Citizens and Companies**

In host countries where the rule does not exist, citizens and companies, including U.S., may have greater levels of privacy and lower communication costs. They are unlikely to purchase and use U.S. products which can be decrypted by the U.S. government.

From the forgoing analysis we can see that rule 1 has as its primary defects: 1. The U.S. government can not do what it set out to do, 2. it damages American firms, 3. it creates situations which may tempt government to

transgress citizen and corporate privacy.

Rule 3 in Figure 6 is analogous to current practice with respect to many other products where the government licenses the export of products for health, safety or national security. This rule has the advantage of restricting government infringement at will into electronic communications. The rule expands the range of encryption products available, provides secure communications for citizens and corporations by disabling the U.S. government decryption key. The government retains the authority to control encryption and thus communications outside the U.S. The new rule, however, still provides foreign countries incentive to develop independent products. The costs of enforcement are high, and the restrictions are easy to circumvent. The enforcement costs will be born by U.S. companies and their customers.

Rule 3 would level the playing field for U.S. firms opening business opportunities and spurring the development of higher level algorithms while lowering unit costs to customers. This does not address compelling public safety issues for U.S. citizens and those of many other countries as well.

It is clear from this discussion that no version of the proposed rule will acceptably reconcile security rights with individual rights. In this world sometimes the best rule that can be derived is one that is not actively immoral. In this case the impartial observer would probably opt for Rule Two, which is the least intrusive on individual rights but which does provide for some degree of government protection for private citizens. This will

not actively prevent the eventual spread of encryption technology but will slow its spread while providing some level of security.

### EXAMINATION OF THE TWO ISSUES

NORM does force the clarification of significant basic issues in actual pragmatic concerns but requires the introduction of a moral dimension in making decisions. There is, however, nothing in the method that determines what moral value system will, in fact, be applied and thus cannot result in universal rules. The limitations are particularly evident in the second issue. But even in issue one the assumptions guiding the observers' notion of

fairness are clearly derived from the observers' values regarding fair play and equitable outcomes.

With respect to the issues themselves, the first issue is more easily resolved than the second. The first is easier because the similar issues have argued and been dealt with laws, customs and social values systems over the past 100 years. Issues brought about by emerging technologies for which there are no good analogies demonstrate that rule generation is not so easily accomplished. It may be that Porter overlooked the shaping effect of emerging industries on society as both the industry and society interact to shape the rules that will govern the industry and social and moral values of the society with which the industry grows.

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# REAL ESTATE SALES PEOPLE HATE TO COLD CALL: COULD ETHICS PLAY A ROLE?

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## ABSTRACT

*This paper examines the basic forms of prospecting that real estate sales people utilize. The results show that the participants in fact, hate to cold call. Call reluctance was associated with low levels of cold calling. The conceptual argument asks if call reluctance is affected by a sense of ethics?*

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## INTRODUCTION

Actual survey participant:

"... I hate to cold call. I won't cold call. If you want to cold call for me, call me - ok?! Thanks."

The results of this study clearly indicate that the real estate sales participants do not do not view cold calling as an effective prospecting tool. As expected, the participants that experienced call reluctance also engaged in lower levels of some what lower levels of cold calling. The interpretation of this result may lie in the ethical reaction people have to executing and receiving cold calls.

## Why Real Estate Sales People

One of the main attractions for studying real estate sales people is that they are largely responsible for their own prospecting activities. Most real estate sales people are paid strictly on commission and are required to pay for their own prospecting expenses. They run their own business within a business. They eat what they kill and the ultimate choice of prospecting activity and intensity is up to the individual sale person.

## Cold Calling Versus Non-Cold Call Prospecting

A cold call is defined by this author as a first live contact with a prospect initiated by the sales person without any pre-knowledge that the sales person would be communicating to the prospect. In contrast, there are two types of non-cold calling. The first is when a prospect responds to a promotional appeal from the selling organization. Here the prospect makes the first live contact. The second non-cold calling method is through networking and referral efforts. Prospects

already have a relationship with the sales person or they place themselves in a situation where they give permission to meet the sales person. A networking gathering would be such an example.

## Prospecting Through Direct Marketing

Dan Kennedy is a well established direct marketing expert. He makes the point that "carpet bombing" to every potential prospect with a telemarketing call to get an appointment is not the most effective prospecting strategy available. He suggests direct response advertising techniques to obtain a response from those prospects who already have a need for the product (Anderson 1996).

## Prospecting by Means of Referrals and Networking

The second category of non-cold calling prospecting (along with pull prospecting) is referrals and networking. Referred prospects are people who have been recommended by a customer or prospect as a potentially high valued customer. Networking is the development of connections and relationships with others for the purpose of identifying qualified prospects Weitz et al (1998).

This study compares the effectiveness of cold call prospecting to the non-cold calling methods of pull prospecting and the use of referrals and networked contacts. The basic premise is that non-cold calling methods will be more effective at generating sales than cold calling.

## Call Reluctance

Call reluctance refers to the hesitation, humiliation, and fear sales people have when they are initiating contact with a prospect (Dudley et al. 1993). Many sales

people experience fear of self promotion. They have a fear of rejection when presented with the task of trying to convince someone whom they do not know to become an interested prospect (Dudley et al. 1993). The basic premise is that call reluctance will likely decrease the number of contacts with prospects that a sales person would otherwise feel at ease initiating. Call reluctance, as opposed to low motivation, is evidenced through a desire to succeed.

## THE RESEARCH METHOD

A total of 133 real estate sales professionals participated in the study from a pool of approximately 487 (27.5% return rate) sales people across six real estate agencies in the west suburban Chicago area. For purposes of continuity, the study focused only on the 106 full time sales people. For further purposes of consistency, only participants that answered all relevant survey questions were examined. This left a pool of 72 participants.

### Performance Measurements

Three forms of sales performance were assessed in the study. The first form has been labeled the "perception of sales performance." This type of performance was assessed from items previously used by (Behrman and Perreault 1982; Sujan et al. 1994, Challagalla and Shervani 1996). The sales people compared their perceived performance levels with that of their co-workers on the same sales force. The reliability analysis for five of the six items was .86.

The second form of sales performance assessed in the percentage of the sales person's sales goal achieved for the past year. An advantage of considering this type of performance measure is that it puts less experienced and more experienced sales people on more of an equal footing in a way that actual income alone cannot. The third type of sales performance is the participant's income over the last 12 months. Because the sales people in the study obtained almost all of their income strictly through commissions.

### Prospecting Questions

The reliability analysis for the two cold calling items provided an alpha score of .63. The non-cold calling methods incorporated into the non-cold calling variable (after reliability analysis with an alpha score of .77) included the use of Newspaper advertising, builders, direct mail, yard signs, sales promotional materials,

homes magazine, Internet, networking, personal referrals, and corporate referrals.

### Call Reluctance

The call reluctance scale was adapted from a set of items originally published in an article from Fox (1992) titled *The Fear Factor: Why Traditional Sales Training Doesn't Always Work*. The alpha score of the reliability analysis was very high .86 using 12 of the 13 items. The items addressed issues such as being uncomfortable, humiliated, hesitant, uneasy, feeling intrusive, emotional, too much time planning before acting, and willingness to make cold calls.

## THE FINDINGS

### Cold Call Prospecting

There was no supporting evidence to demonstrate that cold call prospecting leads to higher levels of sales performance. Cold call prospecting was not significantly correlated with any of the performance variables. To the contrary, the correlational results suggests that cold call prospecting will hinder real estate sales performance. The mean average score for the frequency of cold calling activities is 3.61/10 or 1.805 on the 5 point scale.

### Non-Cold Call Prospecting

The correlational analysis indicates that the non-cold calling variable is significantly correlated with all three performance variables; perceived sales performance (.54  $p < .01$ ), income (.45  $p < .01$ ) and percentage of sales goal achieved (.25  $p < .05$ ) (see Figure 1).

### Call Reluctance

The zero order correlation result does show modest support that call reluctance does lead to lower levels of cold call prospecting. The correlation between call reluctance and cold call calling is  $-.25$  ( $p < .05$ ) (see figure 1). This result indicates that when call reluctance is high, the frequency of cold calling activities is low. The mean average score for the frequency of call reluctance activities is 32.63/60 or 2.719 on the 5 point scale. The cold call prospecting mean was lower for those with the higher call reluctance scores (3.31/10 compared to 3.81/10) than those of the lower call reluctance scores.

In contrast, there was no statistical support for a relationship between non-cold calling prospecting and call reluctance. this proposition. The zero order

**Figure 1**

**Means, Standard Deviations, and Zero Order Correlations For  
The Proposition Testing Variables N = 72**

Variable	Zero Order Correlation Coefficients					
	CC	NCC	CR	PSP	SGA	INC
CC						
NCC	-.12					
CR	-.25*	-.05				
PSP	-.15	.54**	-.35**			
SGA	-.08	.25*	-.33**	.36**		
INC	-.17	.45**	-.20*	.67**	.40**	
$\bar{x}$	3.61	32.33	32.63	21.58	80.72	4.01
SD	1.85	6.47	10.07	4.39	22.16	2.82

\* < .05 \*\* < .01

- CC = cold calling prospecting methods
- NCC = non-cold calling prospecting methods
- CR = call reluctance
- PSP = self perceived sales performance
- SGA = percentage of sales goal achieved
- INC = annual income before taxes and after business expenses

correlation between non-cold calling activities and call reluctance was only -.05 (see Figure 1).

**DISCUSSION**

As the results of the study clearly show, there was absolutely no connection between cold calling efforts and sales performance. In fact, cold calling was moderately related to call reluctance. The most powerful way to comment on these findings is to allow the respondents to speak for themselves about cold calling and non-cold calling methods:

"Cold calling is a waste of time."

"Cold calling - vinyl siding companies, long distance carriers, magazine solicitors cold call... doctors, lawyers, bankers do not."

"I do not cold call. Too much energy for too little return. I have a highly refined direct mail system that

works. Follow-up calls, prospecting clients, promoting my services, "ect." are no problem with me."

"I believe in prospecting by mail - current and past customers for referrals. Referrals are my best source of business. They have already been recommended to use me."

The open ended responses are a clear reflection of what the quantitative data already demonstrates. None of the respondents who provided an open ended answer were supportive of cold calling as a prospecting tool for selling real estate.

**A Lack of Cold Calling Does Not Lead to Non-cold Call Prospecting**

While there was a reported higher degree of non-cold call prospecting than cold calling, what was surprising was that the low use of cold calling was not

replaced with higher levels of non-cold call prospecting as indicated by the correlation results. Considering that non-cold call prospecting was not related to call reluctance, it would make sense that for those that despised cold calling, that they in particular would be active non-cold call prospectors.

### **Does Ethics Affect Call Reluctance and Cold Calling?**

The other significant finding of interest was that call reluctance in and of itself was consistently associated with lower levels of sales performance. This finding alone is important because it would suggest to this author that real estate sales people are clearly uncomfortable with cold calling. One of the respondents stated that he enjoyed cold calling while representing a product other than real estate. With real estate, he preferred to work with referrals. Could it be that real estate sales people find the act of cold calling unethical at some core level? Call reluctance is a reflection of being hesitant to contact prospects due to fear and perceived humiliation involved in the act of calling.

### **Is Cold Calling Perceived As Unethical**

Consumers have a clear distaste for having their privacy invaded. They feel that information that is collected on them or is given by them could easily be taken advantage of by the selling organization (Lewis

1998). Consumers are currently becoming more easily annoyed when actual performance fails to live up to what was promised them (Dalla Costa 1996). In contrast, 57% of American workers feel more pressure now than five years ago to consider acting unethically on the job (Ethics Under Pressure 1997). Real estate sales people are in a different position than most workers and even most sales people in the sense that the nature of their work is quite independent.

Real estate sales people are in a position to make a choice of how they choose to contact prospects. The results indicate that the participants were negatively affected by cold calling and the call reluctance associated with cold calling. Although not specifically addressed in the survey used, it is reasonable to consider that these sales people are aware that many consumers do not want to hear from an uninvited sales person. Many real estate sales people may place themselves in the shoes of the feet of the unqualified prospect and believe that their call would be an unethical invasion of privacy.

Do sales people that allow an ethical motive of respecting a sense of privacy suffer in their sales performance? The results would suggest no. This is particularly true if they are active in using non-cold call forms of prospecting. Maintain a presence in the mind of the prospect when, where, and how they like to be communicated with, and sales performance will follow.

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# ANTI-COMPETITIVE MARKETING PRACTICES IN THE AIRLINE INDUSTRY: A PUBLIC POLICY PERSPECTIVE

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## ABSTRACT

*Consumers, airlines and the economy as a whole have benefitted from airline deregulation. Government regulation was replaced by competition as the protector of the consumers. Airlines continue to pursue marketing strategies which reduce competition and act as barriers to new entrants. This paper reviews some of those strategies and suggest actions by which policy makers might encourage competition.*

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## INTRODUCTION

Since the deregulation of the airline industry, during the late 1970s, consumers have benefitted from competition. It has been estimated that consumers benefitted in the amount of about six billion dollars per year in lower fares. Most of this saving has gone to vacation travelers and to travelers in major markets (USDOT 1998). Business travelers have benefitted from increased flight frequencies. As air travel has increased, airlines have expanded and modernized their fleets. Operating efficiencies gained in the highly competitive domestic market have made U.S. carriers nearly invincible in international markets. (It should be noted that airline deregulation has also resulted in larger, more crowded aircraft, lower spending on in-flight food and service and crowded airspace resulting in delays.)

The airline industry is rapidly changing. Most major U.S. carriers are focusing more on international flights than ever before (Anderson 1998a). Recent "open sky" agreements open new markets to U.S. flag carriers and allow foreign carriers more access to our international markets (Gourdin 1998). (Recent declines in the economies of the Asia rim and of Latin America have caused some carriers to rethink this move to dependence on international flights.) The NAFTA agreement has given Canadian and Mexican carriers increased access to U.S. markets (Kearney & Robinson 1993).

Airline industry policy makers are faced today with marketing strategies and public policies which threaten to

reduce the level of competition in the industry. There needs to be a discussion of what level of competition is good for consumers, the airline industry and the nation. There also needs to be a discussion of what public policies need to be adopted to reach this level of competition in a changing world. This paper will outline the various threats to competition and list some of the options policy makers might have available.

The airline industry is important not only as an industry, in itself, but also as an industry which has a major effect on suppliers, customers and complementary industries. Low air fares and frequent service are prerequisites for much of the tourism and convention industries. Aircraft makers, food suppliers and travel agents depend on the large volume the industry presently enjoys. The industry is also important as an example and testing ground for policies being proposed in other industries. The international alliances described in this paper are similar to alliances being proposed or developed in such diverse industries as telecommunications, banking, insurance and financial services. The success or failure of this industry under deregulation could effect the deregulation of and the shape of such industries as local phone service, electricity and telecommunications.

## DEREGULATION AND COMPETITION

Prior to deregulation, airlines were regulated by the Civil Aeronautics Board (CAB) in three major ways; market entrance, flight frequency and pricing. New

carriers were basically barred from starting operations. Existing carriers found it difficult to add new city pairs or to change their frequency of service in existing markets. Prices changes had to be approved by the CAB and applied to all of the carriers in a market. Price discounts were limited and available only to groups such as students and military personnel. Airlines tended to compete on customer service elements, such as meal service, seat comfort and movies. The government directly subsidized service to a few small communities and indirectly subsidized service to many more by allowing high profit levels in major markets and requiring each carrier to serve some money losing smaller markets.

Under deregulation, airlines were free to serve what markets they wanted, with flight frequencies they wanted and at the price they wanted. Most carriers adopted similar strategies in response to deregulation. They reduced or abandoned service to small unprofitable markets, and increased prices in those small markets they continued to serve (Kearney 1988). They decreased prices in major markets and entered new long-haul high-density markets. Most carriers began offering discounts subject to complicated restrictions to differentiate business and non-business travelers. They also changed the service level they offered the consumer. They increased the number of seats per aircraft by reducing space between seats and the size of the seats, increased the load factor (percentage of available seats filled by paying customer), and reduced spending on meals and amenities (Kearney 1988). Most carriers soon started to build hub and spoke route systems to gain operating efficiencies and to ensure "on-line -feed" (continuation of passengers over connecting flight segments) (Meade 1988).

The strategies adopted by the major airlines did not insure success. While carriers had previously made money in long-haul high-density markets, high levels of competition brought price levels in these markets down. Travelers shopped for price and showed little or no brand loyalty. Rapid expansion strained airline finances. Within a few years of being deregulated, most airlines were losing money (Meade 1988).

During the early days of deregulation, new carriers entered the market and some carriers which had previously been air taxi, regional, or charter carriers expanded their operations to become major airlines. Some were successful. Some were not. For the first time since the 1930s, airlines were allowed to survive or fail on their own. Some of the new carriers went under in a

matter of months; some old carriers entered bankruptcy. One problem that new entrants presented is that most operated at lower cost than their older, larger competitors, making price competition a threat to major carriers (Kearney 1988).

By the mid 1980s, most carriers were adopting strategies which were designed to reduce the need to compete on price. Frequent flyer programs were introduced that tended to tie the most valuable customers to one carrier, creating artificial brand loyalty. A series of mergers created regionally dominant carriers and eliminated regional competitors (Northwest/Republic, TWA/Ozark, USAir/Piedmont) (Kearney 1988). Other mergers were attempts to feed passengers into larger route systems (PanAm/National, Delta/Western). Reservation systems were employed to give host carriers an advantage (Meade 1988). New carriers were denied access to airports under leasing arrangements between the airlines and the airport operators (Kearney 1988).

### CONTESTABILITY

When airlines were deregulated, there was an expectation that competition would take the place of regulation in providing cheap, high quality service to airline passengers. The mobile nature of air transport suggested that no carrier would be able to dominate a market and reap monopoly profits. If prices were high in a market, other airlines would enter and compete excess profits away. Since it was assumed that airlines would have comparable costs of production, competition would provide reasonable, but not exorbitant profit levels (Bailey 1981).

The mobility of capital investment was also assumed to provide "contestability," that is, the threat of entry would keep prices down in markets which were being served by one or few carriers (Baumol 1982). This is important in public policy analysis because policy makers are shifting away from looking at the number of competitors in a market, to examining the ease in which new competitors can enter the market. Carriers would be able to charge more, but not substantially more, in less dense markets which their competitors choose not to serve.

These assumptions have been found to be, at least partially, wrong. Operating costs vary dramatically from airline to airline. New entrant carriers and those which have been through bankruptcy tend to have much lower operating costs than the older major carriers. This has

allowed some carriers to dominate individual markets. While these lower cost carriers have used price to gain control of these markets, there is little market threat to their ability to raise prices after gaining control because higher cost carriers know that they can't hope for a win or even a tie in a price war. Major carriers have resorted to buying or forming alliances with lower cost carriers to allow the major carriers to compete in lower density markets. These carriers often use code sharing (giving the smaller carriers flights flight numbers of the larger carrier) and even name changes (American Eagle, United Express) that disguise their status as entities separate from the parent company.

The issue of contestability is a more controversial topic. Consensus among economists and policy makers is that airline markets are partially contestable; that is, carriers can enter new markets, but not with perfect freedom and often at a disadvantage to incumbent carriers. This allows higher than expected yields and load factors in many markets. The question for policy makers is what are the barriers to contestability (entry) and what can be done to remove or mitigate the effect of these barriers.

#### **BARRIERS TO CONTESTABILITY/ENTRY**

Some entry barriers can be seen as natural. That is, that these barriers exist as part of the nature of the industry and there is little policy makers can, or should, do about these. Some of these natural barriers are:

> The long term effects of advertising and marketing as an investment in name recognition and airline image. The cumulative effect of decades of advertising is a major advantage for incumbent carriers. Casual consumers know a few major airlines. While travel agents and frequent flyers might be aware of new entrants and price or service advantages they might bring, less informed passengers are more likely to think of airlines they have known for years (Kearney 1988).

> The advantage to being the largest carrier at an airport or in a city pair market. There is a relationship which has been documented for years between the largest carrier in a market and the load factor of that carrier. That is, the carrier offering the most seats in a market will receive a more than proportional number of paying passengers, all other things being equal. This is related to the factor described above, larger carriers are often carriers which have advertised in the market for years, but it also a function of flight frequency. The carrier which offers the most seats in a market usually offers the

most flights. The carrier which offers the most flights is most likely to offer a flight at or near the time of day any individual passenger wishes to fly (Kearney 1988). If consumers or travel agents are able to make convenient reservations with the first airline they investigate, they are unlikely to continue their search. Business travellers are likely to pay more for a more convenient time and are not likely to shop for cheaper fares at less convenient times.

>The role of international gateway flights and regional feeder flights in establishing airport and city pair dominance. Most airlines are still regional. They tend to have their smaller markets concentrated in some parts of the country, even if they serve long haul markets to other parts of the country. Passengers prefer single airline service even if they have to change planes on a trip. The same is true of international passengers. They may have to change airplanes, but most prefer to keep the same airline through the trip. The feed of passengers from international and short haul flights give some airlines an advantage of a base level of business before they have to compete with other carriers in a market. This occurs at a natural level. It will be discussed below that some carriers have also tried to stimulate artificial levels of on-line-feed through marketing strategies.

While the barriers listed above are naturally occurring, other barriers are the result of conscious planning. These attempts to create artificial barriers to competition have been implemented, in some cases, in spite of government concerns. In other cases, these programs have been implemented with the active participation of government agencies. While there is little that can reasonably be done about the natural barriers to competition, discussed above, the artificial barriers are subject to regulation. These artificial barriers include:

> Frequent flyer programs. Frequent flyer programs create artificial brand loyalty, especially among business travelers. The cumulative nature of the rewards (the more miles you have, the much more they are worth) lead passengers to choose the airline with which they have mileage accounts, not the one offering the best deal. In the case of business passengers, when someone else is paying for the flight, there is a strong incentive to choose flights to maximize frequent flyer mileage credits. This moves the major carriers, especially the carrier with the largest presence in a given city, away from price competition and insulates them, somewhat, from lower cost carriers.

>Travel agent commission overrides. It is the



practice of airlines to pay a higher level of commission to travel agents who do more than a specified percentage of their business with that airline. Since most travel agencies are local, these overrides can create an advantage in city and city-pair markets for larger carriers. The travel agent is given an incentive to put passengers on the preferred airline, whether or not that airline offers the best price or service for the passenger. With the complicated nature of airline reservation programs, most passengers will never realize that they were misled by the travel agent.

> Airport capacity restrictions. Some of the busiest airports (The airports that airlines most want to serve.) in the country are under restriction by the Federal Aviation Administration (FAA) as to how many flights an hour may land and take-off. With the increase in inter-national and freight traffic at these airports in recent years, the number of slots available to domestic, especially short-haul carriers, is becoming even more limited. Since most of these slots are controlled by large carriers, it is difficult for other carriers to enter the market (Anderson 1998b). The government (FAA & DOT) has the power to reallocate these spots, but chooses not to do so; even allowing airlines to buy and sell slots as if they were private property. Even in cities with second airports (New York, Chicago, Washington), control of gates at the main airport is a major advantage. Improvements in air traffic control and movement of military, general and corporate aviation to secondary airports has offered a few more slots to airlines. Political pressure from various interest groups has slowed the awarding of new slots. In October of 1998, for example, Congressman Henry Hyde (R. Ill.) blocked the addition of between 20 and 100 slots a day being added at O'Hare in response to concerns of his constituents concerning noise at the airport.

> Airport gate leasing restrictions. Most U.S. airports have been built by local government bodies. These agencies often lack the capital to construct such large installations. The practice has been to have the airlines help finance these projects in return for control of a block of gates, or even a terminal. These lease agreements often extend for decades. The existence of these leases can keep new entrants out of airports, or in some cases, consign these smaller carriers to less desirable locations in the terminal (Kearney 1988). Airlines which cannot get a reasonably convenient gate at an airport, operate at a competitive disadvantage.

> Airline alliances & Joint marketing agreements: In recent years, airlines have begun to form alliances. The first of these were the local service carriers which became extensions of the larger carriers (United Express,

American Eagle). This was followed by international alliances between major carriers and major foreign carriers. The third form of alliances was domestic, in which major carriers allied with other (usually weaker) major carriers (Anderson 1998c, Gourdin 1998). The nature of the barriers presented by domestic and international alliances are described below.

> Domestic alliances. The older of the two forms of domestic alliances, that between major carriers and local service carriers, has been around long enough to judge the results. These alliances started as a means of offering low cost service in small markets in order to compete with the low cost start-up carriers. The local service carrier would get the advantage of the name recognition, reputation and reservation support services of the larger carrier. The larger carrier would get some revenue from these markets, but, more important, would get the on-line-feed from the smaller carrier. This was important in building strong dominant hubs. The through traffic could be kept on the parent airline through the use of code sharing. By extending frequent flyer mileage to passengers on the smaller carrier, more brand loyalty was built. The dominance that these arrangements helped build reached beyond the hubs to entire regions of the country. Barriers were created against competition in both the long-haul and short-haul markets affected by the arrangements (Anderson 1998b).

> International alliances. The international alliances take the form of code sharing, frequent flyer program merger, schedule coordination and ground service. The purpose of these agreements is not only to reduce competition in international markets (though by the nature of international air commerce agreements, there are usually only two carriers in the international markets), but also to reduce competition in domestic markets (Anderson 1998A). In the agreement between UAL and Lufthansa, a passenger can make a reservation on a flight with a UAL flight number and fly from Des Moines to O'Hare on a United Express flight operated by a small, low-cost airline; transfer at O'Hare to a Lufthansa aircraft; cross the Atlantic and board a Lufthansa short haul flight from Frankfurt to Hamburg. The passenger receives UAL Mileage Plus mileage for all three legs, has a single UAL flight number from Des Moines to Hamburg and may never set foot on a UAL aircraft. Lufthansa gets a passenger across the Atlantic and for the short haul in Germany, UAL might get the passenger on the return trip, but gets some revenue from the short haul trips to and from Des Moines. UAL strengthens its hold on O'Hare for Domestic and International traffic.

>Cabotage restrictions. Across the world, with very few exceptions, nations restrict domestic air service to their own airlines. United or American can't carry passengers between Paris and Nice or between Hamburg and Frankfurt. In most countries this is not a major issue, in that they have negligible amounts of domestic air travel. The U.S. domestic airline market represents over half the domestic air travel in the world. Foreign carriers have wanted to gain the right to continuation traffic on flights originating outside of the U.S. but serving more than one point in the country. For example, on a flight from Singapore to San Francisco to Chicago, the leg from San Francisco to Chicago would be a domestic leg. United (UAL) or Northwest (NWA) can pick up passengers in San Francisco bound for Chicago. Air Singapore cannot. An Air Singapore flight must travel half empty on the last leg. The U.S. based carrier has an advantage in both the International Market over Air Singapore and in the domestic market over domestic competitors. In addition a landing slot is being used in San Francisco and in Chicago, but no competitive pressure is being put on UAL or NWA.

#### **POLICY RESPONSES TO ANTI-COMPETITIVE BEHAVIORS**

The anti-competitive strategies and constructs described above combine to result in an airline market that is not fully contestable. Airline passengers face high prices in some markets due to lack of competition. Entire regions of the country are dependent on individual carriers for service (as can be seen in the recent strike against Northwest Airlines). Policy makers have acted in the past to end, or reduce, abuses of the airline reservation systems. They can act again to secure the advantages of competition for the flying public. While policy makers cannot do much about naturally occurring barriers, and cannot expect to wipe out all other anti-competitive behaviors, there are some things that can increase, or at least reduce the decreasing of, competition. Among those actions are:

>Increase the number of slots available at the busy airports, and allocate them with the intent of increasing competition. This could be done by simply refusing to award new slots to dominant carriers, or by requiring that airlines applying for new slots detail how those slots would be used to increase competition.

>Subject airline mergers to strict scrutiny when those mergers would result in a significant reduction in competition, or require the merging carriers to divest

operations that would reduce competition. Any merger that would give the new carrier a dominant position at any major airport, or in major city pairs should be opposed, unless gates, slots, and flight frequencies would be given up to other carriers. Mergers such as TWA-Ozark or Northwest -Republic have been allowed in the past in spite of major reductions in competition and contestability.

>Subject alliances and joint marketing agreements to the same scrutiny to which proposed mergers would be subjected. This should be the case both for domestic and international alliances. Since they behave much like merged carriers, they should be treated like merged carriers.

>Allow continuation cabotage for foreign carriers in markets that are deemed to be uncompetitive. When domestic carriers are not able or willing to challenge dominant carriers in domestic markets, foreign carriers serving one or both of the cities in the city pair should be offered the opportunity. The presence of, or threat of entry of an extra carrier could act to restrain the dominant carrier.

>Restrict the use of commission overrides for travel agents, or at least require travel agents to inform consumers of any override programs in which they participate. Full disclosure would remove some of the moral hazard faced by travel agents to give customers less than the best deal. Smaller carriers would be able to compete on an even basis.

>Increase the number of gates available to smaller carriers at un-competitive airports. It will be difficult to change existing leases, but policy makers can restrict dominant carriers from acquiring new leases when other carriers leave and can pay attention to the interests of non-dominant carriers when planning expansions and renovations to airports.

>Tax that portion of frequent flyer awards stemming from business travel, paid for by the business. If business travelers receive benefits from travel for which their employers have paid they should be taxed on those benefits as regular income. If business travelers had to pay income tax on their personal use of mileage awards, these awards would be less valuable.

>Require airlines to disclose to whomever pays for a ticket, how many frequent flyer miles a passenger received using the ticket. Airlines have resisted disclosure, citing privacy concerns. In reality they are

concerned about these programs becoming less powerful tools. If employers knew how many miles employees accumulated through business travel, they could require the employee to use the benefits for business travel. This would remove the incentive for the employee to make travel decisions on the basis of mileage, and remove the ability of these programs to shield the airline from competition.

Policy makers should make the increase of competition a priority in the airline industry. There are affirmative policies, well short of a return to onerous regulation, that can make the industry more competitive. Some of them have been outlined here, but there are other actions that can be taken. Deregulation has benefited the consumer, the airlines and the complementary industries. The benefits of deregulation should not be lost to anti-competitive marketing strategies. Policy makers have a duty to act.

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# GUARDIANS OF KNOWLEDGE DISSEMINATION: THE CASE OF THE JOURNAL OF CONSUMER RESEARCH

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## ABSTRACT

*This paper examines the issue of whether a top tier journal in the marketing field, namely the Journal of Consumer Research, has narrowed its perspective on knowledge dissemination since its creation in the early 1970's. The composition of the Editorial Board, number and length of articles appearing in each issue, mix of academic and practitioner authorship, and occurrence of commentaries and other practitioner-oriented columns is discussed through an examination of a randomly selected issue from each volume of the journal since its inception.*

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## INTRODUCTION

The growth of knowledge creation and dissemination in the marketing discipline has been paralleled, and perhaps sparked, by the growth of suitable academic and practitioner related outlets for such works. As academics, we should be concerned with more than the "not so simple" task of creating new knowledge. We must also be constantly on guard against the development of myopic views on our field and inadvertently contributing to a narrowing of the relevance of our collective research efforts. As guardians of what constitutes knowledge, peer reviewed journals hold a critical position in the process of knowledge dissemination. Within the field of marketing, the Journal of Consumer Research (JCR) is considered a top tier outlet for scholarly research and is widely acknowledged as one of the "big three" journals along with the Journal of Marketing and the Journal of Marketing Research. Consequently, periodic examination of their content and identifiable trends is warranted. A review of the literature indicates that select business-related journals have been scrutinized.

## LITERATURE REVIEW

One stream of research has examined the history and impact of particular journals on the business profession. A ten year review of articles appearing in the Journal of Organizational Behavior Management noted the rise of theoretical, discussion, and laboratory simulation articles at the expense of company- and agency-based researchers (Balcazar, Shubert, Daniels, Mawhinney, and Hopkins 1989). A twenty-year appraisal of the Journal of Advertising (Muncy 1991) documented the evolution of the journal from its beginnings as primarily a forum for

practitioners and academics to express their views to a place primarily for academics to present their research. Inkpen and Beamish (1994) analyzed twenty-five years of articles in the Journal of International Business Studies concluding that more needs to be done to insure that broad, interdisciplinary works are published. Another such study (Urbancic 1994/1995) traced the development of the Journal of Applied Business Research. A review of over 450 articles from the mid 1980's through the early 1990's found that there was widespread participation in the development of the journal and that it was not dominated by a few prolific authors.

A second group of research works has focused on patterns of authorship in business-related journals. Laband and Piette (1994) investigated the issue of favoritism among journal editors toward colleagues and former graduate students. Elliott, Greenaway, and Sapsford (1998) examined 15 years of articles in several leading U.S. and European economics journals and documented the dominance of North American authors. They found that authors affiliated with North American institutions wrote an overwhelming percentage of the articles in the U.S. journals and almost a third of the articles in the European journals. Another study (Siegfried 1994) examined trends in institutional authorship in the American Economic Review, the Journal of Political Economy, and the Quarterly Journal of Economics over the past four decades. He found that the dominance of the most prolific authors in these journals declined around 1970. The increased use of blind refereeing, establishment of editorial committees, and increased emphasis on publishing at a broader set of research institutions were cited as possible causes. The increasing trend of co-authoring business research articles appearing in journals has also been documented

(Petry 1988).

A third stream of research has examined citation patterns. One study (Jobber and Simpson 1988) found that U.S. based journals of marketing held dominant positions in terms of citations in general-business journals. Another study (Campanario 1996) introduced the construct of "journal-related authors", designated as such by virtue of serving as external referees or as members of the editorial board. In an examination of 18 educational psychology journals over a two-year period, mixed but suggestive findings were reported that journal-related authors were more successful in having articles published. A study specifically focusing on the Journal of Consumer Research (Cote, Leong, and Cote 1991) investigated empirically the journal's influence on social science literature, which was assessed as favorable.

Lastly, several studies have attempted to assess the quality of management journal articles through unbiased approaches. Clark and Kaminski (1987) found that practitioner subscribers found greater satisfaction with the Journal of Consumer research than with either the Journal of Marketing or the Journal of Marketing Research. In a 1989 study, Emmelhainz and Stock (1989) reported on an evaluation of eighteen journals in the logistics area by academics and practitioners. Breaking with established patterns employing expert opinion surveys and citation counts; Parnell (1997) used blind reviews and questioned both academics and practitioners on their assessment of business journals. The results indicated that these two groups significantly disagreed on what constitutes high quality.

The principle conclusion drawn from the previous studies is that while journal editors and editorial boards are generally good stewards of the intellectual development and dissemination of knowledge, questions remain. One in particular, "are journals turning away from articles of relevance to practitioners in favor of a more narrow approach - writing for academics?"

## METHODOLOGY

Because of the open questions arising from the research cited above, and in particular the role/opinions/relevance issue regarding practitioners, the following study was undertaken. One issue, randomly selected, from each volume of the Journal of Consumer Research was analyzed. The major research issues included assessing the relative dominance of academics versus practitioners in terms of the composition of the editorial board and in authorship. Additional questions

involved documenting trends in multiple authorship, length of articles, and structural changes in the journal's content were also investigated.

## RESULTS AND DISCUSSION

Over the almost twenty-five year history of the Journal of Consumer Research, the average number of authors per paper has fluctuated but remained fairly consistent (see Figure 1).

Similarly, the average length of pages for each article has fluctuated however there is a slight trend toward longer articles (see Figure 1). This may be in part traceable to the expanded knowledge base in the fields of marketing, psychology, and related disciplines that authors draw on in the development of their studies.

One noticeable trend over the twenty five-volume history of the journal has been a decline in the publication of commentaries and responses to previously published articles. Additionally, the occurrence of communications notes and other non-primary research has declined (see Figure 1). This brings into question whether the focus of JCR has shifted away from practitioner oriented issues toward a more focused approach on academics.

In examining the authorship of articles appearing in the selected issues of this study, it appears that practitioners are having a diminished impact on the field as evidenced by their declining representation as authors (see Figure 2).

This trend is fairly closely paralleled by practitioners' diminished role on the editorial board of the journal (see Figure 3).

While these results are not conclusive, they do call for additional studies of a more wide reaching nature. Unless we, as authors and editors, work toward a broader inclusion of practitioners in our research output we run the risk of narrowing the relevance of our work and writing for each other.

Figure 1:

<u>Volume Number</u>	<u>Average Authors Per Article</u>	<u>Average Article Page Length</u>	<u>Comment, Response, Communication, and Research Note Articles</u>
1	2.3	10.3	3
2	1.9	10.6	3
3	1.3	9.5	
4	2.0	8.9	
5	2.0	13.4	7
6	1.9	10.4	2
7	1.7	12.6	2
8	1.9	9.3	
9	2.0	11.9	4
10	2.0	12.4	3
11	1.7	11.9	
12	1.9	10.5	2
13	2.3	14.3	7
14	1.9	13.5	2
15	2.1	14.0	4
16	2.0	12.4	2
17	1.8	14.4	
18	1.9	11.6	
19	2.2	11.5	
20	1.9	14.3	1
21	2.1	13.8	1
22	2.6	15.0	
23	2.0	12.6	
24	2.1	14.6	
25	1.5	15.0	

Figure #2:

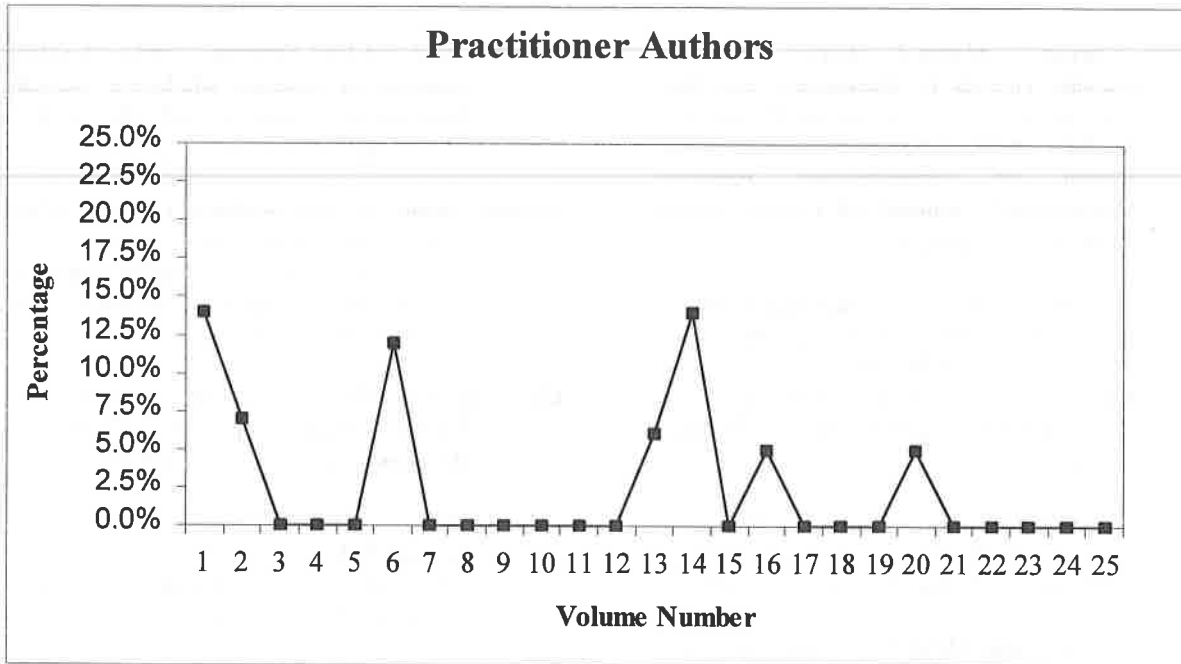
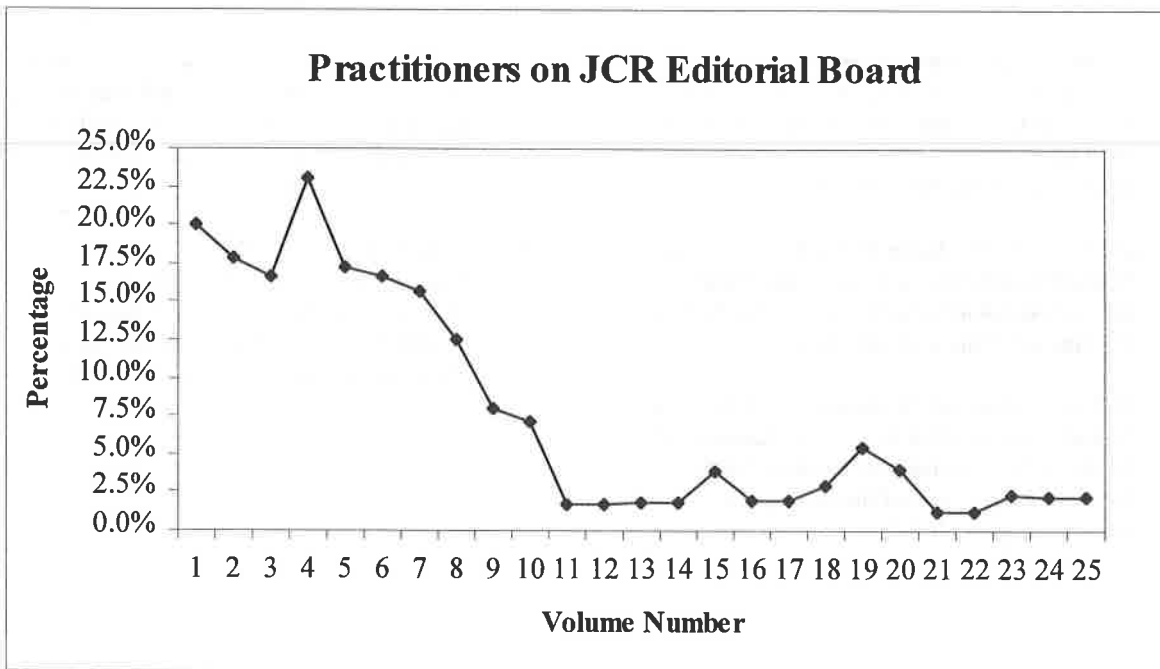


Figure #3:



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# GENERATION X LOOKS AT RELIGION AND SPIRITUALITY

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## ABSTRACT

*The purpose of this study is to examine the attitudes of Generation X as they pertain to religion and spirituality. The results indicate that religion is important to this generation, pursuing spirituality in an organized way is less important to them than their parents, and religion is less important to other members of their generation than themselves.*

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## INTRODUCTION

A marketer's relative success or failure in dealing with any particular market segment is a function of achieving an understanding of the uniqueness of that particular consumer group and proper manipulation of the marketing mix. Church attendance and participation in the United States (and elsewhere) declined during the 1970s and 1980s (The Christian Century 1998). To reverse this long-term trend, marketers of religion and religious participation seek to better understand their consumers. The purpose of this manuscript is to examine the attitudes of members of Generation X as they pertain to religion and spirituality. First, the literature regarding this elusive consumer group is presented. Second, the methodology of a pilot study conducted in the southeastern United States is presented. Third, the data is presented and interpreted. Finally, the implications for the marketers of religious programming (i.e., churches, temples, and others) are discussed.

### Generation X and Religion and Spirituality

A review of the literature disseminated through common academic channels, such as refereed journals or proceedings papers, reveals a great lack of attention to the religious and spiritual aspect (or lack thereof) in the lives of Generation X. There have been, however, a number of books on popular culture which examine this subject. The essence of this limited literature stream is presented in the sections that follow.

Douglas Coupland (1997), the author of the book that coined the term "Generation X", offers a collection of inspirational stories in *Life After God*.

Coupland's goal is to provide guidance to an audience who has broken away from organized religion. Mahedy and Bernardi (1994) emphasize the Xers believe they have inherited a world filled with troubles (e.g., pollution, isolation due to technological advances, and others) and have become "spiritually dispossessed." The authors suggest that Generation Xers are in earnest search of meaning, community and faith. However, the very institutions responsible for spiritual guidance actually repel many Xers given their spiritual traditions. In fact, the authors go so far as to compare Xers with military veterans affected with post-traumatic stress syndrome. Tapia (1994) argues that Generation X is the first American generation to be raised in a "post-Christian" era.

Beaudoin (1998) argues that Generation Xers are serious spiritual seekers, and their popular culture proves it. The author points out four underlying themes to the theology of this generation:

All institutions are suspect – especially organized religion. As such, many in this generation have taken religion into their own hands and away from the structured institutions.

Xers want to experience everything. And, an experience may have a spiritual nature, not just those of organized religion.

Suffering is a spiritual occurrence, akin to the images of a suffering Jesus.

This generation embraces doubt. Arguably, faith is about a lack of doubt in teachings. As such, an inherent conflict is created between many Xers and organized religion and faiths.

Beaudoin challenges organized religions to embrace electronic technology in their ministries and avoid the delivery of "stout dogma" to a generation that has witnessed great technological changes and accepted television as an integrated aspect of daily life. Tapia (1994) reports the findings of a Christian Fellowship and Leighton Ford Ministries study on what Generation X is seeking in faith groups: authenticity, community, an abandonment of dogmatism, a focus on the arts, and diversity. Conversely, Hahn and Verhaagen (1996) argue that theology, and not marketing and methodology, are needed to introduce hope to members of a generation who lack such an outlook on the future.

In *Reckless Hope*, Hahn and Verhaagen (1996) argue that Xers are highly spiritual, while simultaneously highly skeptical. The co-existence of these two factors makes Xers more likely to challenge existing beliefs of a faith without direct experience of the phenomenon. Ford (1996) argues that Xers are quick to accept the existence of the supernatural (say, the X-Files television show and movie) and challenges Xers to look to the bible as the supreme expression of the supernatural. Hutchcraft (1996) makes a similar assertion regarding Generation X and spirituality. In fact, Hutchcraft goes so far as to proclaim "they are spiritual seekers" as a defining statement of the X Generation.

The American Society of Newspaper Editors (1996) commissioned a study of the media habits of Generation X. This study was conducted by Yankelovich Partners. Incidentally, Yankelovich is the same group to have originally proposed that Xers may be the first generation to not fare as well economically as their parent's generation. In this study, Xers were compared to Baby Boomers for two questions pertaining to religion and spirituality: (1) 34% of Xers reported they "think role of religion is very important" versus 44% of Baby Boomers; and (2) 27% of Xers reported they "describe themselves as religious" versus 35% of Baby Boomers.

Clark (1994) also reported that Generation Xers are less interested in religion than Baby Boomers. Interestingly, *American Demographics* (Angels Rising 1996) reported that Baby Boomers were less likely than the prior generation to have attended weekly religious services during the same period of their lives (e.g., during their 30s and 40s). Hegy (1995) suggests that Baby Boomers are becoming disenfranchised with organized religion that is static in beliefs and practices, as opposed to "spirituality" which allows room for growth.

As such, we may be witnessing a metamorphosis of sorts as younger consumers of religious activity are less likely to accept existing doctrines and delivery methods, much like a diner at a restaurant critically evaluates a meal before deciding whether or not to return. While this topic provides lively debate, it is beyond the scope of this manuscript. It can be said that spirituality is clearly an important component of the Generation X experience. What is less clear, however, is the role of organized religion as a component of a spiritual life as defined by Generation X.

## METHODOLOGY

This manuscript is part of a comprehensive examination of Generation X in the United States. This pilot study was conducted at a regional state university in the southeastern United States. Focus group interviews were used to create a multi-item scale enabling the researchers to examine the attitudes toward religion, spirituality, and family. For this study, the following statement provided a common foundation for respondents as to a working definition of spirituality:

"Spirituality is defined here as *activities pertaining to a spiritual being rather than a material being.*"

The focus groups provided the foundation for initial instrument development. The draft instrument was reviewed by faculty experts and refined accordingly. The instrument was further refined using students at a regional state university in the southeastern United States. A pre-test was conducted at two separate regional state universities in the southeastern United States.

As noted earlier, different birth year classification systems have been proposed for Generation X (1964-1978 or 1961-1981). For this study, respondents were born between 1961 and 1981, thus rendering a group ranging from age 16 to 36. A total of 291 usable responses was collected.

## RESEARCH RESULTS

The finalized questionnaire consisted of attitudinal statements where the respondent provided the relative level of agreement or disagreement for each statement using the following scale:

**TABLE 1**  
**A PRESENTATION OF RESEARCH RESULTS**

Attitudinal Statement	Mean	Standard Deviation
<b><u>Religion and Spirituality</u></b>		
R1: Spirituality is an important part of my life.	4.024	1.141
R2: I participated in spiritual activity during my youth.	4.083	1.132
R3: Participation in an organized religion is the appropriate way to pursue spirituality activity.	3.656	1.136
R4: I actively participate in an organized religion.	3.279	1.394
R5: I actively share my spiritual life with others.	2.986	1.293
R6: Spirituality is important to my generation.	2.944	1.086
R7: My spirituality is more important to me than my parent's spirituality is to them.	2.431	1.194
R8: I possess a good understanding of the teachings of my faith.	3.763	1.058

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Indifferent or Neutral
- 4 = Agree
- 5 = Strongly Agree
- 0 = Not Applicable

“Generation Xers back into the churches. Although many members of this group do not feel that organized religion is as important to them as to their parents, the Boomers, data shows that Xers have not closed the door on spirituality. Therefore, this leaves religious marketers with a chance to capitalize on things that are relevant to the Generation Xers.

For each statement, a mean and standard deviation is provided. The research results are presented in Table 1.

The results indicate that spirituality is important to the respondents of this study (i.e., mean = 4.024). These same respondents are less sure how important spirituality is to other members of their generation (mean = 2.944). While spirituality was found to be important, the results indicate that pursuing spirituality in an organized religion is less important (mean = 3.279). Finally, Generation Xers do not feel that organized religion is as important to them as their parents.

#### **IMPLICATIONS FOR MARKETERS OF RELIGIOUS ACTIVITIES**

While social scientists and religious leaders continually question why so many young adults shy away from organized religion, marketers of these activities are searching for new, innovative ways to entice the

One thing that marketers and religious leaders can do is to promote a non-threatening, open environment where members of the Generation X group would feel welcome. For example, Generation Xers consider themselves much more liberal than previous generations. They have women in leadership roles, are more prone to need and use birth control, believe divorces will only increase in the future, and are very tolerant of gays and lesbians. These things are what many churches say are sinful and wrong, thus pushing Xers farther away. Marketers need to find ways for Xers to express their religious needs; to help them deal with current issues like these and others which affect their lives everyday. Discussion groups are ideal ways to deal with issues like these. For instance, churches are now more accepting of unwed mothers. Where churches used to condemn and exile, they are now helpful, providing childcare and support groups.

Another issue to examine is time. In being the best-educated generation, Xers continually find themselves with a lack of time. Whether they are in college, or married with a family, Xers strive to meet demands and cram as much into one day as possible. Further, there are fewer people who work traditional 9-5 Monday through Friday jobs in this group. For marketers this means providing alternative times for religious activities.

With Xers being so technologically hip, they are more likely now to spend hours on the internet rather than watching television. Thus, providing an opportunity for marketers to reach them. For instance, people sometimes feel uncomfortable going to a church for the first time when they do not know what to expect. By posting information and past church sermons over the Internet, people may find a church that they feel comfortable with and decide to attend a service. Television services are also an option for people who do not want, or can not attend church to gain religious experiences at home.

Additionally, religious marketers can provide Generation Xers with the opportunity to get involved with children. Ranging from youth groups and church camps to cartoons and video games with Christ arriving as the victor, Xers need to be given alternative ways to learn about religion and spirituality.

Perhaps the most important issue for marketers to capitalize on is the increasing diversity of Generation X. As research suggests, the Busters are more ethnically, culturally, and attitudinally diverse, therefore, requiring alternatives to traditional religion. For example, in terms of ethnicity and culture, there are

more people who do not speak English, leading to a need for religious activities to be held in different languages. Moreover, when percentages of a certain ethnicity get large, marketers may promote and provide classes in English. Concerning attitudes, Busters need alternatives. They like to be excited and interested rather than preached to and bored. This has led to alternative churches using bands instead of organs, and rock groups instead of choirs to get their message across and entice members of Generation X into attending regularly.

In light of all this information, it is the marketer who can, not only understand a need, but also capitalize on all these ideas which will increase the religion and spirituality of America's Buster Generation.

## SUMMARY AND CONCLUSIONS

This pilot study of Generation Xers evaluated their attitudes toward religion and spirituality. Like generations before them, Generation X has been shaped by the society in which they reside. They bring to society certain expectations regarding participation in the American experience and their own futures. Their influence upon society will be felt more significantly in the coming years as they enter their prime earning and community involvement years, as well as their principal time for establishing their own nuclear families.

Spirituality is clearly important to this generation. If religious marketers want Xers to pursue their spirituality in an organized way, then they need to develop marketing strategies that appeal to their unique and diverse set of values.

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# TED LEVITT AND SERVICE STRATEGY: AN ESSAY ON A SERVICES APPROACH TO MANUFACTURING

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## ABSTRACT

*Nearly twenty years ago, Theodore Levitt argued that services needed to think like manufacturers. He believed they needed to be more efficient, which at the time, meant more standardized. Services followed his advice, created assembly lines, and transformed America from a manufacturing powerhouse to the paragon of services. While this might have been successful in the past, it is no longer sufficient. Indeed, we argue that services need to get back to their roots, as providers of customized experiences, tailored to provide customer satisfaction. It may now be time to stand Levitt on his head and urge manufacturers to think like service providers!*

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## INTRODUCTION

In an important article over twenty-five years ago, Levitt (1972) argued that services needed to think like manufacturers. Because they were usually small, local, and in protected environments, he believed they would never become efficient. If they ever wanted to be successful, which essentially meant to be fruitful and multiply (translated: grow and gain market share), Levitt pointed out (with great wit), they would have to move from servility of services to the muscle of manufacturing. His model was McDonald's, which, almost singlehandedly, turned a craft (restaurants) into a science--in Levitt's highest praise, they "thought like a manufacturer." McDonald's made dining a predictable occurrence, thereby relieving customers fears; you knew when you ventured into McDonald's exactly what you were getting, basically anywhere in the United States; as the chain expanded, and others replicated the skills, the world was McDonaldized (Ritzer 1983). Services created assembly lines and transformed America from a manufacturing powerhouse to the paragon of services. On the seventh day, Levitt must have rested.

And he saw that services were good.

No more.

The challenges McDonald's faces today--from finicky customers to quicker and more focused competitors--who say "have it your way"-- indicate that perhaps the shibboleths of the sage should be revisited. Indeed, we will argue that today it is essential for

manufacturers to learn from services--and for services themselves to return to their roots.

## Destabilization

The keys to successful growth through attention to efficient production served services well. Offered an opportunity to list the founding fathers and mothers of service industries, one scholar (Hoyt 1994) put on it not just Ray Kroc, but also the founder of the Holiday Inn chain, Kemmons Wilson, who brought predictability to hospitality. Technology smoothed operations, and made them more efficient.

Across industries, however, the technology, globalization, and deregulation conspired to destroy the stability of the environments. For example (Hoyt 1988) there was the "terrible toos"--too many or too few. There were too many lawyers, too many dentists, too many accountants, and too many shopping centers. Too few traditional students of college age has brought marketing even into the halls of academe. Deregulation created and uncreated financial savings institutions, for a time made the skies unfriendly, and have made phone bills all but unreadable. At one point, Sears as a place one could shop for socks or stocks; who better than a Sears Vice President could note, "Everyone is in everyone else's business" (Harmon 1985).

What were small local, particularistic, and in many cases protected industries became national in outlook and structure. Given some of the traditional distinctions between services and goods-- low entry

barriers, the lack of proprietary technology, and short channels (e.g., Berry 1980), the emergence of national and in some cases global industries (Kirkland 1987) can be viewed as nothing short of a major, if not revolutionary, industrial shift. American fast food franchises are ubiquitous around the world (as is American entertainment--Michael Jordan live on the Yangtze River cruises, and MTV in India and Europe are examples). Computer linkages have made multisite and multilocation operations possible in transportation and leisure; e-commerce has rendered time and place utility global, dependent solely on computer accessibility and literacy. J. Crew and REI, two American retailers, have catalogues on the web in Japanese!

### **WHAT CAN SERVICES TEACH MANUFACTURING?**

Before services were Levittized, they had advantages that would stand any business in good stead today. We list some of them:

1. Mass customization. Current literature suggests manufacturers need to be able to deliver shorter runs of goods; ideally, each product should be tailored to the needs of a specific customer. "Manufacturers" of pure services--for example auto mechanics, or professionals such as doctors--can fabricate each service on the spot.
2. Managing customer relations. Services used to be able to deliver a specific product to a specific customer at a specific time. This was "the moment of truth," which provided a forum for managing customer relations. Services managed those relations through design and environmental psychology. Manufacturers could learn more from services about customers because customers have choice--even of services!
3. Focus on people. Services have always been able to focus on people because in pure services especially, there was nothing tangible, as in haircutting. Services have long realized that by treating the "employee as customer" they were able to reduce the heterogeneity also associated with services (Berry 1981). Looking outward to

customers and inward to employees, a hallmark of services, are essential to all businesses today.

4. Organic organizational structure. Service organizational structures used to be lean and flat, with short channels of distribution. They were thus nimble and flexible. Responsive organizations (lean and flat) are keys to any market driven organization today.

5. Project teams. Long before the advocates of Japanese management emphasized project teams, services used to be able to handle project/team assignments. They were organized, but not always by functional departments, yet they were not dysfunctional. They have much to teach manufacturing about innovation and creativity, toward employees and toward customers, and toward the production of products.

### **Not-for-profit organizations**

There are two subsets of services--professional bureaucracies and not-for-profits--that have even more to teach manufacturing.

1. Professional services have much to teach manufacturing, and other services, about the dignity of work (Mintzberg 1989).
2. As Drucker has pointed out in numerous writings (e.g., 1989), not for profits have always known about motivation without money; they have much to teach for profits about motivation. In addition, not for profits have always known about corporate missions that include doing good as a higher priority than making good. They have much to teach other businesses about social responsibility.

Finally, the customer-service provider is not only important in services, but in manufacturing, too; everyone has choice today. Services can make the choice easier

Isn't it time for services to stop worshipping manufacturing and get back to their roots?

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# MEASURING TQM EFFECTIVENESS: A NON-ECONOMIC APPROACH

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## *ABSTRACT*

This paper presents a model for measuring the effectiveness of a TQM system from a non-economic perspective. Economic objectives of the organization may not be the most appropriate effectiveness measures for a TQM system as economic performance is affected by many factors that are uncontrollable by a TQM system. Intensity of marketing management use and importance of marketing decisions made utilizing the TQM system are proposed as alternative measures of TQM effectiveness.

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# ON THE VALUE OF GAP ANALYSIS IN SERVICE QUALITY MEASUREMENT

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## ABSTRACT

A comparison of expectation with performance is conceptually appealing for marketing managers involved in providing services to customers. Marketers recognize that their organizations must undertake a continuous and ongoing effort to ensure that the level of service provided meets or exceeds the level expected by customers. Although the value of SERVQUAL has been extensively debated, this paper suggests that the SERVQUAL gap analysis procedure provides real added diagnostic value that enables corrective action. This diagnostic benefit has been under-emphasized in much of the debate.

Based upon an application to Career Services Centers on three campuses, this paper provides insights into how SERVQUAL-style gap analysis can be employed as part of a program of service quality improvement. By focusing on service quality gaps, managers can identify when and how there's a misunderstanding of consumers and their expectations. Gap analysis facilitates the mapping of discrepancies between providers' and consumers' perceptions of service quality dimensions, and these comparisons are critical in the identification of inconsistencies in perception, because they focus management attention on possible causes and on developing strategies to close each gap.

The study found four statistically significant gaps. First, regarding *Student Expectation vs. Administrator Perception of Student Expectation*, the study found that administrators at one of the three schools overestimated student expectations. Regarding *Service Specification vs. Service Quality Performance*, the study found that meeting quality specifications is a problem for all CSCs in the sample, indicating that all will benefit from improved hiring and training programs. Regarding *Service Promise vs. Service Performance*, the study found that the same school with the overestimation problem also tended to promise more than it delivered. Finally, regarding *Student Service Expectation vs. Service Performance*, the study demonstrated that every school has an opportunity to significantly improve service quality delivery.

The application of SERVQUAL gap analysis to CSC's (1) revealed useful information related to improving marketing communications, (2) uncovered human resource management issues, and (3) provided a metric upon which employee evaluations and motivational reward and recognition systems can be based. An adapted CSC SERVQUAL instrument holds additional potential in service quality comparisons made across university outcomes assessment programs, as well as those across other university CSCs. When successful outcomes have been realized and measured, subsequently shared among other administrative units, and then combined with effective marketing communications, CSCs and their institutions stand to benefit from increased resource contributions from external organizations. Thus, in spite of its technical shortcomings, the gap analysis approach of SERVQUAL provides CSC administrators with a useful assessment tool to evaluate current resource allocations and plan future ones.

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# A CONTENT ANALYSIS OF PRODUCT PLACEMENT IN THE TOP TEN MAJOR MOTION PICTURES OF 1997

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## ABSTRACT

*An undergraduate student and a faculty member team up to explain the concept of product placement and how it was used in the top ten major motion pictures of 1997. Automobiles as well as sports played major roles in popular films of 1997.*

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## INTRODUCTION

Product Placement is the practice of arranging for brand-name goods to make prominent, paid-for appearances in films, television programs and other entertainment productions (Elliott 1993). Although product placement has been around since the 1920s when cigarette manufacturers placed their products in motion pictures, the modern era of product placement began with the success of Reese's Pieces attributed to the movie *E.T.: The Extra Terrestrial*. Who knew that aliens from outer space apparently have a sweet tooth similar to that of their human counterparts? If the movie *E.T.: The Extra Terrestrial* is to be believed, aliens prefer the delightful sweet taste of the chocolate-covered peanut butter candies known to us as "Reese's Pieces." The phenomenal success of that movie in particular helped to launch sales of Reese's Pieces into the stratosphere. Consumers who have seen this tale of an alien stranded on earth and the young boy who befriends him, can probably also name the candy featured in the film: Reese's Pieces, not M & M's.

A timeless classic like *E.T.* has grossed nearly \$400 million at the U.S. Box Office since 1982, including re-issues (*Mr. Showbiz* 1998). This is an especially staggering statistic considering a large portion of the motion picture's gross was from a time before inflated movie ticket prices. Including the huge amount of business from video rentals, video sales, and television broadcast, it is easy to understand why Reese's Pieces sales increased so dramatically because of this one movie.

The formula for success, however, is not always guaranteed, which is why some organizations need more convincing than others to have their products used in a motion picture. Had M&M/Mars agreed to have their candies allowed on screen, it is certainly questionable

whether or not Reese's Pieces would have been as successful. Fortunately for Reese's, they saw the high potential and rewards that this product match-up could offer. A film targeted at children but loved also by adults apparently was a key to the huge success for both the movie and the candy.

The sight of watching a favorite Hollywood star on the big screen is certainly a pleasure. Now imagine if that same star cracked open a can of Pepsi and took a big, refreshing drink. Or perhaps he or she can be seen driving a luxury automobile such as a BMW or a Cadillac. Maybe the star of the film even lights up a Marlboro cigarette. The impressions that these scenes have are tremendously important for the actors, the products and the films.

Movies have become such a popular form of product advertisement and marketing because the benefits from a built-in target audience are very exceptional. Marketers can, in essence, choose exactly which type of crowd will be seeing their product on display. The greatest advantage is being able to appeal to consumers with popular actors or actresses. Throw a Coke into one hand and a bag of Doritos into the other hand, consumers will then associate those products with that film and the stars of that film. Product placement also adds a bit of realism to the film, the old generic beer labels used in films of yesterday are now more than ever being replaced with authentic labels.

An example of successful free product placement takes place in the 1997 film *Jackie Brown*. Two of the stars of the film, Samuel L. Jackson and Pam Grier, each sport some headgear from Kangol, an English manufacturer. Following the appearance in this Quentin Tarantino film, inquiries for the hat "took a significant leap," (*Entertainment Weekly* 1998).

**Table 1**  
**The Top Ten Highest Grossing Films of 1997**

<u>Rank</u>	<u>Film</u>	<u>Gross</u>
1	Men in Black	\$250,000,000
2	The Lost World: Jurassic Park	\$229,100,000
3	Liar Liar	\$181,400,000
4	Air Force One	\$171,900,000
5	Star Wars	\$138,200,000
6	My Best Friend's Wedding	\$126,700,000
7	Titanic	\$112,400,000
8	Face/Off	\$112,300,000
9	Batman and Robin	\$107,300,000
10	George of the Jungle	\$105,200,000

Source: *Box Office Guru* (1998)

Advertisers may look at everything from who will be starring in the film to whether it is a sequel to a previous box office smash to whether or not it is based on a popular novel. In the end, product placement is determined by whether the marketer of a product will be seen by millions of people in a pleasing way. The advantages for a company to have a product mentioned or advertised in a film are unlimited. Movies are no longer just for viewing on the big screen and then on video. Other formats such as DVD are popping up to join the laserdisc crowd; pay-per-view is growing by leaps and bounds; and cable movie channels devote 24 hours a day to reruns of new and old movies. Networks are jumping on the bandwagon too, showing movies as fresh as just a year old on television. The Internet and computers are promising to go even further with new technology to bring a movie to your home monitor with the click of a mouse button.

In the end, a product may end up being seen by hundreds of millions of potential consumers worldwide. The life of a product may be extended for decades, or the product could have a rebirth of success. That is why the movie format outperforms that of television. A TV program can be taken off the air, but removing a movie from existence borders on the impossible. In the end, it adds up to a very long shelf-life for the film, which means that product placement in films doesn't end once a motion picture leaves the theater and heads to video format.

The purpose of the present paper is to provide a content analysis of product placement in the top ten films of 1997 using U.S. box office receipts to rank the films (*Box Office Guru* 1998). Table 1 provides a list of these films. The top ten movies are chosen because the movie ticket buying public has voted with their money which movies they like best, and the products found in these films wind up being seen the most over any other films of the year.

#### ANALYSIS

The year 1997 was indeed a banner year for the motion picture industry, bringing in a record estimated \$6.24 billion domestically (*Box Office Guru* 1998). The top ten films combined for roughly \$1.5 Billion, or about 24% of the total dollars (*Mr. Showbiz* 1998). Along with shattered box office records, the motion picture industry is also on the rise with the average production cost. The implications of this trend will only mean that more and more studios will be selling ad space within their films to help keep overall production costs down. The end result: expect *more* product placement in films today.

The 1997 release of the 19<sup>th</sup> outing for James Bond 007 in *Tomorrow Never Dies* is the ultimate example of a movie and its product partnerships. MGM/UA, distributor and production company for *Tomorrow Never Dies*, combined with numerous partners to produce a \$100 million dollar global

campaign to entice moviegoers to see the film. That sum doubles the amount used to promote the previous Bond film, *Goldeneye*, released just two short years earlier. The BMW Z3 used in the 1995 film alone attributed to a twice as large order than expected. Following the successful promotion of *Goldeneye*, partnerships made for the *Tomorrow Never Dies* film would allow for

screenwriters to *write in* specific product placements in the plot lines. For instance, Bond's new car of choice is the new 750iL sedan from BMW. He uses an Ericsson cell phone and a watch by Omega. Bond drinks Smirnoff Vodka and Heinekens and apparently can't go without his Visa card. Visa, in its first Hollywood promotion, chose to utilize Bond in a 30-second commercial,

**Table 2**  
**Product Placements in the Top 10 Movies of 1997**

<i>Men in Black</i>	<i>The Lost World</i>	<i>Liar Liar</i>	<i>Air Force One</i>
<p><b>Automobiles</b> Chevrolet Ford</p> <p><b>Cigarettes</b> Camel Marlboro</p> <p><b>Entertainment</b> Jeopardy New York Mets</p> <p><b>News Sources</b> Daily News New York Post New York Times</p> <p><b>Services</b> Bloomingdales Psychic Friends Network</p> <p><b>Other Products</b> Hamilton Watches Kineses Keyboards Raid Ray Ban Sunglasses Rolex Watches</p> <p><b>Total Products: 16</b></p>	<p><b>Automobiles</b> BMW Buick Chevrolet Mercedes Canyon Motorcycles</p> <p><b>Entertainment</b> San Diego Chargers San Diego Zoo Sea World</p> <p><b>News Sources</b> CNN Washington Post</p> <p><b>Services</b> Blockbuster Video Phillips 66</p> <p><b>Other Products</b> Hershey's Krackel Mitsubishi Satellite Phones Nikon Cameras Sega Video Games</p> <p><b>Total Products: 16</b></p>	<p><b>Airlines</b> American Lufthansa Northwest TransWorld Tower Air</p> <p><b>Automobiles</b> Chevrolet Chrysler Dodge Ford Jeep Mercedes Nissan Volkswagen Volvo</p> <p><b>Entertainment</b> LA Dodgers</p> <p><b>Other Products</b> Apple Dr. Suess Fastpack Spalding Sprite Starbucks</p> <p><b>Total Products: 21</b></p>	<p><b>Alcohol</b> Budweiser</p> <p><b>Entertainment</b> U of MI Football</p> <p><b>News Sources</b> CNN</p> <p><b>Other Products</b> Intel NEC Technologies Perrier Sony Xerox</p> <p><b>Total Products: 8</b></p>

**Table 2--Continued**  
**Product Placements in the Top 10 Movies of 1997**

<i>My Best Friend's Wedding</i>	<i>Face/Off</i>	<i>Batman and Robin</i>	<i>George of the Jungle</i>
<p><b>Airlines</b> United</p> <p><b>Alcohol</b> Absolut Vodka Amsel Light Miller Beer Miller Lite</p> <p><b>Automobiles</b> BMW Chevrolet Ford</p> <p><b>Entertainment</b> Chicago White Sox</p> <p><b>News Sources</b> Chicago Tribune Sport Magazine</p> <p><b>Services</b> The Drake Hotel Hilton Hotel Office Max Phillips 66 Gas</p> <p><b>Other Products</b> Apple Computers Coca-Cola Jell-O Reebok</p> <p><b>Total Products: 19</b></p>	<p><b>Automobiles</b> GMC HumVee Mercedes</p> <p><b>News Sources</b> CNN</p> <p><b>Other Products</b> Chiclets Yamah Watercraft</p> <p><b>Total Products: 6</b></p>	<p><b>Automobiles</b> Honda Motorcycles Mercedes</p> <p><b>Other Products</b> Apple Computers</p> <p><b>Total Products: 3</b></p>	<p><b>Automobiles</b> Lincoln</p> <p><b>Services</b> Hilton Hotels McDonalds Neiman Marcus UPS</p> <p><b>Other Products</b> Armani Baked Lays Coca-Cola Doritos Fritos Nike Polaroid Sony Sprite</p> <p><b>Total Products: 14</b></p>

meanwhile co-star Michelle Yeoh promotes a new 007 line of cosmetics by L'Oreal.

Nineteen ninety-seven was an interesting year due to the fact that it saw the re-release of the extremely successful and wildly popular *Star Wars*, which managed to find its way among the top five, ahead of hundreds of original films from the year. Only two sequels manage to squeeze their way into the top ten this year, *The Lost World*, which to nobody's surprise shattered opening weekend records previously set by its predecessor

*Jurassic Park*. *Batman and Robin* was the other sequel from the successful Warner Brothers Batman franchise. The much hyped *Men in Black* finished up at the number one position, mostly due to the huge success of its star Will Smith who also lead the way in 1996 with *Independence Day*. Jim Carrey managed to slide his *Liar Liar* into the third place. Harrison Ford followed up with *Air Force One*, where he was depicted as a rough and tumble, family-guy president. Julia Roberts was back in top form with the comedy *My Best Friend's Wedding*. John Travolta and Nicholas Cage lit up the big screen

with the action packed *Face/Off*. Brendan Fraser sported a loincloth for Disney's live action version of the popular cartoon *George of the Jungle*. *Titanic* managed to find its way in the top ten with a 12-day gross of \$112 million.

Product placement in the top ten films of 1997 combined for a total of 88 different branded products within the films. Barring duplicate products from more than one film, and not including *Titanic* or *Star Wars* which each had zero products, that averages out to be more than 10 products per film.

A list of the product placements in the eight films is provided in Table 2. As mentioned above, neither the *Star Wars* re-release nor *Titanic* had any product placements. This in itself shouldn't be any surprise because both are period pieces. *Star Wars* takes place in the very distant future. George Lucas, the writer and creator of the *Star Wars* series, obviously felt that placing any product within the *Star Wars* trilogy would underscore the films with disbelief. This is said because the time frame would basically mean that brands had outlived centuries of humans, too much to believe even for a futuristic film. *Titanic* is a period film based upon the doomsday sinking of the ship of the same name in the year of 1912. Although there is the sight of several automobiles during the film, unfortunately they have gone the way of the Model-T and no longer are produced and therefore don't exactly fit as a product placement. Many diamonds and other pieces of jewelry appear in *Titanic*, but no brand names. It is interesting to note that De Beers used product placement as early as the 1930s to increase interest in diamonds.

*Men in Black* continues a short but fast growing list of films that are running promotions with products both in the film and outside of the film. The products which were marketed the most with *Men in Black* were Ray Ban sunglasses and Hamilton watches. Each *Men in Black* agent was equipped with both of these items and both received high quality seconds of screen time.

The Ray Ban sunglasses by Bausch and Lomb were especially designed for this film and in store promotions ran poster-sized displays in order to promote the film and the sunglasses. Ray Ban also recently teamed up again with another film, *Blues Brothers 2000* which was released in February 1998. It is interesting to note that Ray Ban is trying to promote itself as the "cool" Hollywood sunglasses with the slick black sunglasses even though they carry a full line of other sunglasses (*Raybans* 1998).

The Hamilton watches used in the film also were designed for the film alone, it was a specially-made watch called "The Ventura." Known mostly as a very high quality watch, it was surprising to see this brand team up with an action/comedy film (*Men in Black* 1998). Another surprise was that only one film, *Men in Black*, showed a specific brand of cigarettes. Both Camel and Marlboro made appearances, the latter in the form of an alien carrying around five cartons of cigarettes.

Producers of *The Lost World* teamed up with Mercedes in 1997, similar to when the producers of *Jurassic Park* teamed up with Ford in 1993 for a specialty Sport Utility Vehicle. Mercedes specifically designed the M-Class SUV for *The Lost World*. Trailing behind other automobile manufactures in the production of the popular sport utility vehicle line, Mercedes decided to play catch-up and smartly did a cross-promotion with *The Lost World*. The most interesting product placement observation made while viewing *The Lost World* was the removal of the Blockbuster Video brand in the video format. When *The Lost World* played in the theaters, it had a sequence in which a loose T-Rex crashed through a Blockbuster Video Store. In the video, however, viewers will notice that the Blockbuster logo has been erased. A similar situation occurred with the Paramount release of *The Beautician and The Beast*. In the theater version, the lead role played by Fran Drescher has a dispute with another person over her lost Blockbuster Video membership card. Before *The Beautician and The Beast* came out on video, video store owners protested that inclusion of the Blockbuster sequence was unfair to other video store owners and they were thus boycotting the release of *The Beautician and The Beast*. Paramount sent out screener copies of the film with the Blockbuster Video sequence omitted, but then later retracted it and released the video with the reference remaining.

*Liar Liar* had the most product placements of the films analyzed, with a seemingly large amount of automobiles and airlines. Mercedes makes another prominent appearance, this time as the high class car of choice by Jim Carrey's character in the film. *Air Force One* had very few products in the film more than likely because it takes place in an airplane. A high tech satellite phone system by NEC Technologies, however, makes a very visible appearance. *My Best Friend's Wedding* managed to have nineteen different products on screen, second only to *Liar Liar's* twenty-one. The products in the film represent companies that are very well-known in their industries. Some audience members felt the number of product placements in this film detracted from the plot.

*Face/Off* and *Batman and Robin* each had very few products in their respective films, but coincidentally Mercedes popped up in both of them. Nicolas Cage's character in *Face/Off* is a big fan of Chiclets, the small square gum pellets, and it stood out because it added quirkiness to the character. *Batman and Robin* was a very big surprise with only three products throughout the film. *George of the Jungle* is an good example product placement. McDonalds purchased all legal rights to package and promote tie-ins for all Disney films. This includes any happy meal toys, contests, or whatever they choose within reason. In the film we see Brendan Fraser, playing the main character of George, on top of a moving bus eating a Big Mac with a McDonalds Bag right next to him prominently displaying the golden arches. This is a good example of relationship marketing between two companies.

Among the ten films, it was interesting to notice that BMW was shown in two of the films and Mercedes was in four of them. The high class models seem to be trying to find whatever possible ways there are to attract more consumers. Sports also played a key role in five of

the films, teams from the New York Mets, Los Angeles Dodgers, Chicago White Sox, San Diego Chargers and the Michigan Wolverines all were represented. The Mets and White Sox both allowed use of their playing fields to be used for the films with Comisky Field being used for a quite long sequence.

#### DIRECTIONS FOR FUTURE RESEARCH

Although product placement has been around for many years, research on product placement is still relatively young. Additional research should be conducted to compare product placement in films from various years as well as from different genre. Consumer reactions to these product placements should also be considered in future research. Until recently, there was not much product placement in television programming and thus little research has been done in that area. A final area for future research would be in the non-goods area of product placement. Services as well as non-profits should be considered in conjunction with product placement.

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# COMMERCIAL CLUTTER AND THE NFL

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## ABSTRACT

*Commercial clutter broadcasted during the televised 1998 National Football League season has reached saturation levels. This paper documents the enormously high percentage of non-programming material (clutter) being aired by the four major networks during NFL games.*

*Several observations concerning the high level of NFL commercial clutter are as follows: (1) In the near future, advertising clutter will only increase, before eventually diminishing. (2) A rival football league could compete head-to-head with the NFL. (3) Voluntary efforts by advertisers and the media will eventually begin to reduce the amount of commercial clutter. (4) Consumer advocate groups will lobby to reduce commercial clutter, and (5) The printed media will experience a renaissance of growth.*

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## INTRODUCTION

Football fans watching the National Football League (NFL) this fall have noticed a glut of advertisements during their favorite game on all four of the major networks. This advertisement glut commonly called clutter, has been defined as, any non-program material carried during or between shows (Russell and Lane 1998). This year, the clutter has reached saturation levels.

Advertising clutter is a phenomenon that arose from advertisers' need for advertising space. When too much space is devoted to advertising, clutter can jeopardize the audience's editorial interest. Findings indicate that advertising clutter yields negative circulation returns and diminished advertising revenue when a magazine's clutter level exceeds historical averages (Ha and Litman 1997).

Many studies have examined the efforts of advertising clutter on television (Johnson and Cobb-Walgren 1994; Zhao 1997). One study examines the perceived advertising clutter in the major media. A national survey was conducted. Respondents were asked about 6 media - television, radio, magazines, newspapers, Yellow Pages, and direct mail. Television and direct mail were rated the highest in perceived clutter (Elliott and Speck 1998). Table 1 presents the results of a study by Elliot concerning consumers' perceived advertising clutter by the six major media. Television leads the list of six media with an average score of 35.36, the higher values relate to higher perceived advertising clutter.

Even Direct Mail, which many Americans dislike and perceive to be junk mail, received a lower score from consumers than did the television clutter.

Commercial load, or overload, has reached its highest level ever. The FOX network is the prime offender, with 12 minutes per hour of network time given to advertising messages. The overall winner, ABC, broadcasts an average of 13:24 minutes of non-programming material each hour (Ross 1998). TV buyers at media agencies and studio executives alike believe clutter on the airwaves may have reached saturation (Consoli 1998). But this has not been always the case.

Before 1982, the Television Code of the National Association of Broadcasters (NAB) limited the amount of time available for advertising.

- In prime time--non program material could not exceed 9 minutes in any 60-minute period.
- In all other time--non-program material could not exceed 16 minutes in any 60 minute period.
- In prime time for independent stations, non-program material could not exceed 12 minutes in any 60 minute period (The Television Code of National Association Broadcasters).

In 1982 the Federal Trade Commission (FTC) actually challenged the legality of the NAB Code. They (FTC) charged the code limited the amount of commercial time in programs was a restraint of trade. And, because of this, the NAB code is no longer enforced (Runyan 1984).

**TABLE 1 (Elliott and Speck 1998)**  
**Perceived Ad Clutter**

	×
Television	35.36
Radio	24.37
Magazines	25.47
Newspapers	19.25
Yellow Pages	10.46
Direct Mail	32.56

Today, the general trend in television advertising is toward more minutes per hour of programming devoted to ad time. An apparent viewer backlash - the downward trend of audience share for the traditional broadcast networks - has mostly come not because of negative reaction to advertising clutter but because of the increasing number of television viewing options (Long 1993). And, one wonders if the clutter present during NFL games will eventually reach saturation and drive viewers away.

#### METHODOLOGY

At the start of the new football season, for the fall of 1998, the four major networks (ESPN, FOX, CBS, ABC) Nationally televised National Football League games were videotaped. Each football game was replayed with the commercial time calculated on a second to second basis. Four distinct advertising formats were noted: (1) Regular product advertisements with identified sponsors, (2) Network advertisements (for example, stay tuned to this channel, and later tonight watch a specific program, (3) Partial and transparencies. (A partial, fractionally blocks out the viewable area with a commercial message, usually at the bottom portion of the screen. A transparency, opaque or translucent, presents the advertisers name, logo, or few word slogan overlaid on the viewable screen.), and (4) The station identification, takes the form of a small box on the viewing screen. The station's identification letters (ESPN), or logo (CBS) is contained within the box continuously during the broadcast of the event.

Each of the four professional football games played approximately three hours in duration. The elapsed time for the four games ranged between 2 hour 55 minutes and 3 hours and 17 minutes. Commercial messages were calculated only during the game, from kickoff to the final gun, excluding the half-time programming. Because of the various lengths, each game

was normalized. That is, the game itself was thought of as being a 100% entity, and not a three hour, five minute and twenty-seven second event.

#### FINDINGS

Table 2 exhibits the summarized findings of the non-programming (commercial) material for each of the four categories by each network. For example, Network #2 broadcasted 21.1% of their air-time for product commercial messages, the highest of the four networks. Added to this are the commercial messages for future programming carried by the network. (e.g., "Please stay tuned tonight to watch 60 Minutes directly following the game, except on the West Coast.") These "network commercials" ranged from 3 1/2% to 5 1/4% of total air time, or roughly 2 to 3 minutes per hour. The next category presented in Table 2 are the overlays and transparencies. The category ranged from 2.65% to 7%, or approximately 2 to 4 minutes per hour. The subtotals equal about 30%, or 18 minutes per hour dedicated to advertising clutter.

Lastly, the little station identification tag in one corner of the screen would be almost continually visible during the entire broadcast of the football game. The total amount of advertising clutter, therefore, has approached nearly a 100% level of saturation during broadcasted National League Football games.

Also to be included: the NFL logo on the players' uniforms, the NFL logo on the coaches shirts and hats; the name of the home team in the middle of the field; and finally, the trademark NFL properties. (The sales of each NFL team's souvenirs, sweat shirts, jerseys, jackets, blankets, hats, credit card, etc., totals in the billions of dollars each year.) When summed, the total television advertising clutter approaches 100 percent of the amount of viewing time for the National Football League.

**COMMERCIAL TIME BY MAJOR NETWORKS**

	NET 1	NET 2	NET 3	NET 4
Product Commercials	20.47%	21.1%	20.87%	19.38%
Network Commercials	3.46%	4.75%	3.92%	5.29%
Overlays, Transparencies	7%	3.22%	2.65%	2.52%
SUBTOTALS	30.93%	29.07%	27.44%	27.19%
Station Identification	68.07%	68.93%	68.56%	72.80%
TOTAL AD TIME	99%	98%	97%	99.99%

**OBSERVATIONS**

Television commercial clutter has reached total saturation during NFL games. (In the future, what proportion of the actual television screen will be allocated to the football game itself?) Several conclusions follow: First, in the near future commercial clutter will only increase. The prediction is based largely upon the enormous amount paid to the NFL to broadcast the games. Walt Disney's ABC and ESPN, CBS, and News Corp.'s Fox Broadcasting have pledged \$18 billion to secure the television rights through 2005 (Beatty and Ono 1998). The high-stakes poker game for NFL broadcast rights ended when Walt Disney Co. agreed to shell out more than \$9 billion over the next eight years to retain the rights to broadcast National Football League games. The company's ABC unit will pay \$550 million a year, or a total of \$4.4 billion, to retain its franchise "Monday Night Football" prime-time game. And the company's ESPN cable unit agreed to pay another \$600 million a year, or a total of \$4.8 billion, to acquire the entire NFL cable-television package (Fatsis and Pope 1998).

Second, the NFL will be subject to new competitors. Outbid for NFL TV rights, Time Warner's Ted Turner says NBC and his company's TBS superstation may start a rival pro football league. The TBS-NBC plan is still in flux. But their new league could go head-to-head with the NFL in the fall of 1999 and include 10-12 teams in cities like New York, Chicago, Los Angeles, Atlanta and Boston (Meyers 1998). The networks paid \$18 billion for the rights for

eight years. You could buy every team in the league for a fraction of that. Why not own all the rights in perpetuity (Higgins 1998)?

Third, advertisers and the media will voluntarily reduce the amount of advertising clutter on television. J. Walter Thompson Co.'s Jean Pool, the agency's executive vice president-director of North American media operations, promised recently that JWT and its partners in WPP Group's giant media buying group, the Alliance, will make clutter an issue in this spring's up-front TV buying negotiations. It is time for advertisers to speak up, and TV network managers should apply the brakes before clutter gets even more out of hand (Anonymous 1998). According to the Leo Burnett Media Department where media people are specialized by account, not function, the biggest problems and challenges facing media people now are clutter or competitive noise levels (Lane 1979). Caret Research reveals that 90% of advertisers would oppose total deregulation of commercial air time. Seventy per cent said that increased minutage would reduce the effectiveness of advertising by increasing advertising clutter (Reid 1995). And, the media has begun to police itself. Two TV stations, Multimedia's KSDK-TV in St. Louis and A.H. Belo's WVEC-TV in Norfolk Virginia effectively control advertising clutter by limited commercial time per hour (Warner 1990).

Fourth, consumer advocate groups will begin to attack, yes attack, the advertising clutter. Ralph Nader has already fired upon telemarketing groups. Mr. Nader has been quoted, "We have to start a national debate on

excessive commercialism" (Teinowitz 1998).

Lastly, in the uproar over the record National Football League rights fees being paid by the broadcast

networks, there has been scant attention given to what some believe will be some of the surprise winners in this deal: the competing media (Anonymous 1998). The printed medium will make an unprecedented comeback as television's clutter and cost increasingly dissuade sponsors (Centlivre 1988).

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# SCRATCHING THE SURFACE IN CROSS-CULTURAL ANALYSIS OF MAGAZINE ADVERTISING

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## ABSTRACT

When a magazine reader in Germany is exposed to an advertisement for IBM, is that reader exposed to advertising copy that has been greatly altered and adapted for German consumption? Or, will that German reader see pretty much what his American counterpart might experience when reading an IBM magazine ad? The current study set out to answer such questions.

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## INTRODUCTION

Предоставляем доступ в режиме "On-Line" к информационным ресурсам (Проводим 1997). Whether you thought you could read Russian or not, you clearly understood two words of the preceding sentence: "On-Line." That bit of advertising copy was taken from an ad in Moscow's *Московские Новости* (Moscow News), and that clause translates as "Allows access through the 'On-Line' regime to information resources." Yes, American computer terminology is approaching universal use. But that doesn't mean that American manufacturers for cyberspace are selling their wares in the same manner everywhere.

It was the purpose of the present paper to observe how major international advertisers were, or were not, altering their advertising copy in magazines to make it more appropriate for the consuming public of a given nation.

Granted, such a research effort traditionally includes definition of the problem, stating of hypotheses, creating an experimental design, gathering appropriate data, analyzing those data, and drawing conclusions. In the current study, however, we found ourselves very much interested in and occupied with (if not *fascinated by*) the gathering of those data. Analysis of the data is not appropriately complete but that has not stopped us from nevertheless drawing some conclusions based on our small sample.

Here are the magazines we perused: *HVG* (standing for *Heti Világ Gazdaság*) of Hungary; *HP/De Tijd* of the Netherlands; *Gente* of Italy; *Der Spiegel* of Germany; *Paris Match* and *Le Nouvel Observateur* of

France; and *Fortune* of the United States. There was also a quick foray into the realm of daily newspapers with *O Globo* of Brazil and *Η Καθημερινή* of Greece.

Examined were samples of magazine advertising in what could loosely be called the electronics (or even *cyberspace*) industry. In the original study (prior to capsulizing for publication purposes) the firms were: Microsoft, IBM, Hewlett Packard, Oracle, and Panasonic. Via *newspapers*, we then touched distribution networks for Microsoft and Hewlett Packard.

## MICROSOFT

*HVG* is a business magazine in Budapest. *HVG* stands for *Weekly World Economy*. Its issue for May 30, 1998 featured a Microsoft advertisement with this very clever headline. It's not a typographical error, but just a cute way to get attention: *Microsoft® Windows NT® Server 4.0--tíz hardvergyártóból tizenegy ezt ajánlja* (ami 1998)-- Eleven out of ten hardware producers recommend the Microsoft® Windows NT® Server 4.0. The ad continued with this appeal:

*Amikor a hálózati operációs rendszerekre terelődik a szó, nincs vita a hardvergyártók között: mindannyian a Microsoft Windows NT Server 4.0-át ajánlják. Hogy miért? (Ibid.)--* When net operational systems are discussed, there is no debate among hardware manufacturers. All recommend the Microsoft Windows NT Server 4.0. And why?

The answer to that *And why?* is found when the sterling features of the Windows NT Server 4.0 are

provided:

*Alkalmazáserver, könnyen kezelhető fájl- és nyomtatáserver, nagy teljesítményű, robusztus, stabil, dinamikus, ideális internet/intranet platform, lehetőséget biztosít felhasználói innovációra (Ibid.)-- Application server, easy-to-use file and printer server, high performance, robust, stable, dynamic, ideal internet/intranet platform, provides opportunity for users' innovation*

Notice that in *HVG* the attempt is to get Hungarians very interested in a particular new Microsoft product. Some months earlier, however, in the German publication *Der Spiegel* we witnessed praise for the whole Microsoft concept, an approach somewhat similar to what has been termed *institutional* advertising. For the issue of January 26, 1998, a Microsoft ad treated us to this bit of recent "history":

*Dow Chemical arbeitete mit zehn verschiedenen E-Mail-Systemen. Heute ist es nur noch eins, Microsoft® Exchange. Und damit kommunizieren 36.000 Mitarbeiter in 56 Ländern, so als würden sie sich persönlich unterhalten. Die Migration hat Dow Chemical gemeinsam mit DIGITAL durchgeführt--mit den ersten 25.000 Microsoft Exchange Benutzern unter Windows NT® in nur vier Monaten (Dow 1998)-- Dow Chemical worked with ten different E-Mail systems. Today only one remains, Microsoft® Exchange. And with it 36,000 workers in 56 nations communicate and thus carry on personal contact. This changeover has been carried out by Dow Chemical in only four months together with DIGITAL--the first 25,000 Microsoft Exchange users with Windows NT®.*

In the New World, a Microsoft advertisement in *Fortune* (January 12, 1998) started out with a tongue in its cheek: *Building a Web site still requires programming skills. For example, do you know how to type?* (Building, 1998). And the appropriate software being touted is Microsoft® FrontPage® 98. Mixing our media for the moment, we can say that the main copy of the ad makes superb *radio continuity* that a good announcer can sink his teeth into. *Listen* to this:

Forget about all the coding <b>stuff</b>. Whether you're a novice or a

pro, our new Microsoft® FrontPage® 98 program makes building a Web site as easy as typing a letter. That's because, as part of the Microsoft Office family, it's filled with familiar, intuitive tools. The new Navigation View helps you plan and organize your site (Ibid.).

Can just three ads enable us to see differences in Microsoft advertising thrusts in three countries: Hungary, Germany, the United States? Admittedly, this sample is extremely small. Although the American and German ads appeared almost simultaneously, the Hungarian ad was five months later. We see Microsoft with three different emphases: picking a server in Hungary; going E-Mail in Germany; and building a Web site in the United States.

#### HEWLETT PACKARD

Three of the four magazine advertisements we found for Hewlett Packard (from France, Holland, Hungary, and Germany) were providing lively promotion for that firm's latest incarnation of its *LaserJet* printer. Just as *Taco Bell* TV commercials today star a Mexican Chihuahua, Hewlett Packard's *LaserJet* magazine emphasis features an active creature looking very much like the Pink Panther, but whose body is formed from printed paper. As early as November of 1996, *Le Nouvel Observateur* carried this heading under a picture of the printed-paper panther rushing somewhere: *Nouvelle imprimante HP LaserJet 6P. Pardonnez-lui de vous faire travailler si vite* (Nouvelle 1996)--The new HP LaserJet 6P printer. Pardon it for making you work so fast. Then, the ad copy explained just how fast (whew!) the new product is:

*La rapidité de la nouvelle HP LaserJet 6P est à vous couper le souffle. Avec une vitesse d'impression de 8 pages par minute, et moins de 20 secondes pour la première page, elle est effectivement très véloce (Ibid.)-- The rapidity of the new HP LaserJet 6P will take your breath away. With a printing speed of 8 pages per minute, and less than 20 seconds for the first page, it is indeed very fast.*

Just a few weeks later (January 24, 1997), the Amsterdam magazine *HP/De Tijd* featured that printed-paper panther racing along with a young corporate executive, with the banner reading: *Er is geen houden*

meer aan (Er 1997), meaning There is no [printer] that offers you more. Building a strong case for the printer were these supporting lines:

*Tijd is voor ons net zo belangrijk als voor u. Daarom creëren we nieuwe middelen om tijd te besparen én ook nog goed te gebruiken. Laten we beginnen met een uitstekende manier om efficiënt met uw tijd om te gaan. Simpel: koop de HP LaserJet 5/5N/5M (Ibid.)--* Time is not as important for us as for you. Therefore, we have created a new way to save time and also make good use of it. Let us begin with an excellent way to make the most efficient use of your time. Simple: purchase the HP LaserJet 5/5N/5M.

Notice that although the French are encouraged to upgrade to the LaserJet 6P, the emphasis with Dutch readers is LaserJet 5/5N/5M. Let's travel over to Budapest and see what's happening there. In its issue of May 30, 1998, *HVG* showed us a Hewlett Packard advertisement with *four* of those printed-paper panthers racing along. According to the copy to follow, we learn that the HP creature is actually a *leopard!* There is this banner: *Bármilyen gyorsan nő vállalkozása, a LaserJet 6P lépést tart vele* (Bármilyen 1998)-- However quickly your business may grow, the LaserJet 6P will grow with it. Then came more praise for the LaserJet 6P:

*A HP LaserJet 6P egy párdúc hajlékonyságú nyomtató. Egyaránt tervezték egyéni felhasználók és vállalkozások számára. Ezért nyugodtan nőhet cége, nem kell nyomtatót cserélnie (Ibid.)--* The HP LaserJet 6P is as flexible as a leopard. It was designed for [individual] users as well as business enterprises. So, your company can grow without having to change your printers.

Very clearly, for Dutch and French promotion, Hewlett Packard has put the emphasis on speed and the saving of time! For the Hungarian market, the emphasis seemed to be that the LaserJet 6P can grow with your company, and will eliminate the need for frequent upgrading of your printer. And the *speed* referred to (in Hungary) is the pace at which your company will be growing!

However, a full-page advertisement in *Der Spiegel* for January 26, 1998 appealed to a different facet of the *German* psyche. Speed and flexibility take a

backseat to quality in this effort to sell printers. We see a very cooling large photograph of water droplets standing still on a sky-blue surface. Written across the droplets are these words: *Wenn Sie hier feuchte Hände kriegen, ist es Fotoqualität von HP* (Wenn 1998)-- If you get moist hands here, it is [because of the] photographic quality of Hewlett Packard. In other words, this photo is of such high quality that you can get moist hands just by touching the water droplets in the picture. Well, tell us how this superb reproduction occurred! The ad does just that by reminding us that the printing of a photograph for a periodical is accomplished by the use of thousands of microscopic dots. The explanation here gets a little technical. Again a reminder that, in contrast to HP's other three ads we found, there is no mention here of the *speed* involved:

*Je kleiner die Tintentröpfchen, desto schärfer das Druckbild. Darum erreichen die HP DeskJets 720C und 890C auch auf Normalpapier schon höchste Fotoqualität. Denn ihre neue PhotoREt II-Technologie bringt bis zu 16 Tintentröpfchen auf einen Druckpunkt und erreicht so 30mal mehr Farben pro Punkt (Ibid.)--* The smaller the ink droplets, the sharper the printed picture. This is how the HP DeskJets 720C and 890C have already achieved, also on normal paper, the highest photo quality. Their new PhotoREt II Technology brings up to 16 ink droplets to a print dot and thus achieves 30 times more color per dot.

The pervading question being asked throughout the current paper is: *How much do advertisers vary their promotional packages from nation to nation?* Surprisingly, our next section responds: *Not hardly at all!*

## ORACLE

The cyberspace firm *Oracle* placed ads in *Fortune* and *Der Spiegel* almost simultaneously. Date on the American magazine was January 12, 1998, for the German publication January 26. The ad in *Der Spiegel* is a one-page effort, while it took two pages in *Fortune*. The artwork is identical and the word counts in the copy are relatively equal. Let's look closer.

We see an eerie, surrealistic extreme closeup of a human eye. Across it in *Der Spiegel* are the words: *Das treibt Ihren Mitbewerbern die Tränen in die Augen*

(Das, 1998)--This will drive your competitors to have tears in their eyes. Across the very same human eye in the *Fortune* advertisement we read: *If you look closely, you can almost see your competitors crying* (If 1998, p. 20). Those two thoughts are pretty close. Let's see if the parallel continues in the text. First, lines from *Der Spiegel*:

*Wenn Ihr Unternehmen auf Oracle Network Computing umsteigt, hat Ihr Mitbewerber nichts zu lachen... Aber Sie, denn Ihr Controller freut sich, daß Network Computing deutlich wirtschaftlicher ist als das Arbeiten mit Desktop PCs und somit die Kosten für Wartung, Software-Upgrades und technische Unterstützung spürbar gesenkt werden* (Das 1998)--When your company switches to Oracle Network Computing, your competitors have nothing to smile about... But your comptroller will be happy since network computing is definitely more economical than working with desktop PC's and thereby the costs of maintenance, software upgrades and technical support will have fallen noticeably.

Here's how the ad in *Fortune* expressed the same ideas:

Once your company begins the transformation to network computing, things will never be the same--for you or your competition. For starters, network computing costs are 39% less than a desktop computing environment. In addition to being able to use all of your existing hardware, you'll reduce costs when it comes to network maintenance, software upgrades and technical support (If 1998, p. 21).

We don't think we're stretching the truth when we maintain that the *Fortune* text is a paraphrase of what appeared in *Der Spiegel*.

### PLACE

Even as we enter a new millennium, and much of yesteryear has changed, there are still marketers who speak reverently of product, price, promotion, and place. Such people are aware that millions spent on promotion can be dollars down the drain unless there has been adequate consideration given to place--making the product physically available to the consumer.

With this in mind, we were interested in a half-page advertisement in the Rio de Janeiro newspaper *O Globo* for March 10, 1997. The ad sang the praises of a *Franquia* (franchise) bearing the designation *Clube do Software* and which made computer products available to all of Brazil, and featured very prominently the very latest from *Microsoft*. Well over forty outlets were listed (along with their phone numbers) as part of *Clube do Software*, some in *exotic* locations. Around Greater Rio, for example, you can find *Microsoft* products in at least two spots that have made their way into popular American lyrics: *Copacabana* and *Ipanema*. Outside Rio de Janeiro (in *outros estados*), *Microsoft* is available, for example, at the local *Clube do Software* in *Belém*, *Belo Horizonte*, and of course *Brasília* (Imbatível 1997).

We found a similar ad (Auto 1998) spotlighting a distribution network, this one for *Hewlett Packard*, in a daily newspaper of *Αθήνα* (Athens) called *Η Καθημερινή* (March 15, 1998). Sixty-two *Hewlett Packard* dealers all over Greece are listed (along with their phone numbers). Some of these outlets have interesting firm names: *Πρισμα* (Prism), *Αλγοριθμος* (Algorithm), and *Αρχιμηδης* (Archimedes). And there are *HP* dealerships in two of the towns the Apostle Paul knew well: *Κορινθος* (Corinth) and *Θεσσαλονιχη* (Thessalonica).

### CONCLUSIONS

Let us say that the following had been our hypothesis: *Firms which advertise internationally go to great lengths to design different advertising strategies for different nations*. A substantial portion of data collected for the current study would cause us to *reject* (with surprise) that hypothesis. We even witnessed cases in which it seemed as if the same advertising journeyman even wrote virtually the same copy for several nations. Key examples of this were found in advertising for *Oracle* and *IBM*.

Perhaps our willingness to reject the hypothesis stated above results from our search taking place in a portion of the world where computers are no strangers. A suggestion for further research would be to conduct a study similar to this one but with participation by advertising efforts in underdeveloped countries.

In the meantime, it seems safe to conclude that one of two things is true. One, we of the Western world all react pretty much the same to cyberspace products. Or Two, any cultural differences among us are being largely ignored by international advertisers.



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# The EMU Vision Moves toward Reality: International Marketing Implications of the Euro Become Clearer

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## ABSTRACT

*Even before July 1, 1998, with establishment of the European Central Bank, it was clear that European economic and monetary union (EMU) had moved from an ambitious vision to near reality. But this historic transformation toward phasing out the national currencies by most European Union members and introducing the euro carries several international marketing implications.*

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## INTRODUCTION

"Entry into monetary union will have significant economic implications which must be given careful consideration when a decision is taken. The selection of participants ultimately remains a political decision, however." (Deutsche Bundesbank April 1998)

With the selection in May 1999 of European Union (EU) countries eligible to participate in European economic and monetary union (EMU) and the formal establishment on July 1, 1998, of the European Central Bank (ECB), there is strong momentum in western Europe to meet the ambitious monetary and economic objectives agreed by all EU members in Maastricht in the early 1990s. On January 1, 1999, the euro emerged as a new accounting unit for 11 currencies that are now permanently fixed. But well before actual replacement of the 11 national currencies by the new euro--scheduled for mid-2002--U.S. firms conducting business with EU countries will confront a new "single currency" environment. This paper provides a preliminary assessment of four developments that will affect U.S. international marketing as early as January 1999.

## EMU AND THE TRANSITION IN THE LITERATURE

Background literature for understanding the European path to EMU was generated well before the then 12 members signed the "Treaty on European Union" or "Maastricht Treaty" on February 7, 1992. For example, two reports by the Commission of the European Communities (1990a; 1990b) came on the heels of the landmark EMU report by the "Delors Committee" (Committee for the Study... 1989). The International Monetary Fund (IMF) also examined aspects of the

European Monetary System and its evolution at an early date (e.g., Bovenberg et. al. 1990; Folkerts-Landau and Mathieson 1989; Frenkel and Goldstein 1991; Ungerer et. al. 1990). However, the bulk of the output would emerge after the EU reached benchmarks in the transition agreed upon at Maastricht, with the Commission's EMU "green paper" of May 1995 the most important of many official views. Other important updates would include those of the Organization of Economic Cooperation and Development [OECD](1996-8) and IMF (1996-8). As the Commission documented and analysts noted (e.g., Holden and Hurley 1997; Barber 1998), progress toward EMU would move through three stages or phases.

The first stage extended from the Maastricht signatures through the end of 1993. The major objective, now largely accomplished, was to remove capital controls that many members still retained.

The second stage went from January 1994 to the end of 1998. Key objectives were to promote fiscal and monetary convergence in EU members and to have national and EU institutions undertake technical and organizational preparations for the third stage. Special attention was given to Maastricht's five convergence criteria or preconditions for EMU membership: (a) an inflation rate not more than 1.5 percentage points above the average of the three lowest countries; (b) a long-term government bond rate not more than 2 percentage points above the rate of the lowest inflation members; (c) a budget deficit not more than 3% of gross domestic product (GDP); (d) government debt not more than 60% of GDP; and (e) an exchange rate within the bands of the Exchange Rate Mechanism for two years before joining EMU. Significantly, at the start of this second stage, EC recessionary conditions and foreign-exchange speculation meant that not one of then 12 EU members would have

qualified... much less met four of the five preconditions!

Eight institutional preparations stood out during this stage: (a) the European Monetary Institute (EMI) was established in January 1994 in Frankfurt; (b) member governments accepted a prohibition on central banks financing budget deficits; (c) the name of the future EMU currency ("euro") was chosen in December 1995; (d) the central bank of each EU member was assured independence; (e) confidence was generated that each country would sustain the convergence criteria; (f) a changeover scenario for stage three was made transparent, comprehensible, and convincing for the private sector; (g) a selection of EMU candidates was undertaken (May 1998) based on 1997 statistics; and (h) the ECB was made operational (July 1998) and ready to create monetary instruments for the third stage.

The third stage began January 1, 1999, with conversion rates of EMU participants irrevocably fixed by unanimous decision of qualified states. The existing European currency unit (ecu) basket ceased to exist, with ecus converted to euros at 1:1. Monetary authority would be transferred from participant central banks to the ECB (e.g., Duisenberg 1998a and 1998b). During the crucial 1999-2001 period, final preparations will be made. For on January 1, 2002, euro banknotes and coins are to circulate alongside national currencies, and, after mid-2002, national currencies of EMU participants will no longer be legal tender.

### SOME MARKETING DEVELOPMENTS

At least four developments regarding EMU and the euro have emerged in the EU business environment and have been covered in the business press, especially the *Financial Times*. Each is worth highlighting in any assessment of marketing implications for U.S. firms evaluating an EU that absorbed in 1997 some \$140 billion of U.S. goods, some \$77 billion of U.S. services, and had assets in the EU earning some \$90 billion (Barshefsky 1998; U.S. Department of Commerce 1998).

First, it is clear that most large EU countries and institutions are politically committed to the EMU and the euro. This was not always the case, and, for much of the post-Maastricht period, there was a presumption by many commentators (e.g., Deutsche Bundesbank 1992-7) that the demanding euro qualification criteria could be met by only a small "hard core" of EU countries: Germany, France, Austria and Benelux. The political determination of such countries as Italy and Spain to meet the criteria and the ultimate success by 14 of the 15 countries

surprised nearly everyone. To a significant degree, the willingness of the Commission and even the Bundesbank to interpret Maastricht criteria rather liberally emphasizes the degree of high-level political consensus that EMU enjoys. Ultimately, all countries (Greece excepted) were deemed eligible (in May 1998) for EMU membership, and 11 governments accepted. Sweden, Denmark, and U.K. elected not to participate in the irrevocable fixing of exchange rates on January 1, 1999.

Second, the business sector in Europe is also committed to the euro. Over the years, a variety of well-publicized studies (e.g., Martinson 1998) indicated that preparations for the euro varied among EU countries and among sectors. Most have shown that there is a degree of reluctance among certain firms to prepare, especially smaller retailers and business in countries such as the U.K. where government statements promised that EMU membership is unlikely until at least 2002. But equally crucial is that many major firms in EU countries have made public their preparations to commence full business activity using the euro well before 2002. That is, such firms as BMW, Daimler, Siemens, ICI, and British Steel could be operational with the euro early in 1999.

Third, households within Europe are definitely lagging in this preparation process. But, here to, that situation is changing. Several EU countries have undertaken educational programs (e.g., Fisher 1997), including testing the consumer's ability to function in both a new currency and with unfamiliar reference prices. Meanwhile, consumer advocates are trying to force retailers to ease the process by using dual prices through 2002 and not to round up when the euro becomes the only currency.

Fourth, several groups of countries not officially part of so-called "Euroland" are also directly affected by the political momentum of the eleven adopters: (a) the remaining EU members; (b) official candidates for EU entry; and (c) other regional trading nations. In looking first at Greece, Sweden, Denmark, and U.K., major political and business groups in each nation are determined that entry into Euroland be effected in the foreseeable future. While there still exist both doubters of the euro's viability and those who believe sovereignty and economic autonomy are truly lost by surrendering monetary and currency authority to the ECB, pan-euro momentum and powerful global economic forces in 1998 seem to be working to the euro's benefit. Simultaneously, preliminary entry negotiations with such first-wave EU candidates as Hungary, Poland, Czech Republic, Slovenia, Estonia, and Cyprus are accompanied by

various pressures to assure that their macroeconomic management puts them on a trajectory to meet Maastricht criteria during the next decade (e.g., Fisher, Sahay, and Vegh 1998). Non-EU western European nations are likewise to be affected (e.g., Williams 1997).

### **MARKETING IMPLICATIONS OF THESE DEVELOPMENTS**

First, with the strong political determination by the eleven to make the euro vision a reality, it is evident that--whatever the imperfections of Maastricht and however many the well-publicized disaster scenarios (e.g., Soros 1996; Feldstein 1997; Dornbusch 1996)--only a catastrophe will derail the euro train schedule. Slight alterations in timing in either direction are certainly possible. But, as has become increasingly evident to many within Europe, the many possible obstacles would not deter Chancellor Kohl, two French presidents, and the prime ministers of nine other countries. American managers today should not forget the history of the U.S. and the early political/legal efforts to assure free interstate trade and one stable currency; these gains added a powerful stimulus for building a continental market. Thus, Maastricht (on top of earlier "Europe 1992" initiatives) moves western Europe importantly toward that U.S.-style continental marketplace in many respects...and so is an attractive political force for a broad spectrum of supporters. Euroland represents an historic movement in the 1990s from a de facto economic union to a high-income geographic unit operating with few border restraints and a common currency, albeit with important fiscal powers still retained in national capitals (Schmid 1998).

Second, reports of lagging preparations by European business regarding the formal introduction of the euro should be put into proper perspective. Many smaller firms (unlike the "Year 2000" problem) were genuinely not sure Maastricht could be met, especially those located outside the hard core countries; meanwhile, others felt that D-day for euro introduction would not actually arrive until euro notes entered circulation in mid-2002. For it was only in 1997 that press reports emerged about how many large EU firms would be moving up their operational use of the euro to early 1999, and that governments would be prepared to cooperate with this far-reaching corporate adjustment. U.S. firms in several sectors will note the far-reaching consequences of the changeover to euros. While the jury is still out regarding whether the dollar-euro rate goes up or down (e.g., Waters 1998), the jury has now brought in one verdict: the euro is rapidly becoming the unit of account to be

reckoned with when European pricing considerations emerge. The impact will be felt, whether as industrial supplier, direct participant in the distribution system, financier of transactions, or as final customer. Moreover, Maastricht convergence meant that interest rates in several peripheral euro countries came down to the German-French levels before January 1999, and the ECB concedes that a common monetary policy will have an uneven impact upon growth rates of the eleven.

Third, households will ultimately be major beneficiaries of euro introduction, especially after consumers become accustomed to the new currency. While EU cross-border comparison shopping has certainly been possible--and strongly encouraged by Brussels and consumer associations as part of the earlier "Europe 1992" initiative--the currency conversion factor always gave residents a somewhat user-unfriendly bias. And, travel within Europe as a tourist, when price comparison activity could comfortably be done, typically involved standing in lines at banks and paying commissions when converting currencies. U.S. and European firms in such sectors as vehicle sales (e.g., Griffiths and Simonian 1998) have heretofore found that the frontier/boundary often provides an international marketing opportunity to practice a perfectly legal discriminatory pricing. There will always be consumers who are somewhat laxadaisical to price differentials if it requires much effort, but the electronic information revolution, combined with the full transparency of a common currency, suggests that marketing professionals can certainly expect a new highly competitive environment for big ticket durables and services.

Fourth, international marketers must be concerned about more than Euroland. EU countries outside the eleven may have thought that they were insulated from monetary consequences of the "in" countries, but failure by U.K., Sweden, Denmark, and Greece to participate in "Eurofin Eleven" meetings could mean increasing political isolation from euro participants at a time when the euro will become a reserve and transaction currency. Not only will sterling, kronor, kroner, and drachmas probably be relatively less important as trading currencies, but foreign exchange fluctuations could emerge to complicate all pricing decisions, especially as large corporation within the four move toward operational use of the euro (e.g., Marsh 1998a). At a time when many are predicting global currency instability to continue outside of Euroland, it is also highly likely that the new EU candidates of eastern Europe will seek to further isolate their economies from the perception and possibility of instability based on their

## IN SUMMARY

long association with the former Soviet Union.. De facto (or de jure) moves to euro-conversion would be a major political step in this process, one that could take place well before formal entry by a candidate and could adversely affect U.S. marketers unprepared to target the EU's eastern neighbors. Switzerland and Norway are just two other countries with close trade linkages with the euro eleven, and reports indicate that major firms in their manufacturing sectors are busily preparing for operational use of the euro (e.g., Marsh 1998b).

Overall, there is a need for recognition of the historic EU environmental changes by a variety of U.S. firms. As this preliminary assessment indicates, at least four important developments carry a direct marketing impact--both as opportunities and challenges--as early as January 1, 1999. Because much will have changed in western and eastern Europe before the scheduled 2002 introduction of the actual euro currency (Frieden 1998), there is considerable scope for ongoing research focused on these and other issues of interest to U.S. international marketers now targeting their single largest regional overseas market.

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# LEGAL SERVICE ADVERTISING: DOES CONSUMER INCOME LEVEL MAKE A DIFFERENCE?

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## ABSTRACT

*With the growth in legal service advertising, attorneys now employ a variety of media. While many researchers have studied consumers' attitudes toward legal advertising to determine its effectiveness, this study explores which sources of information consumers actually use when selecting an attorney. The moderating effect of income is also examined.*

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## INTRODUCTION

Prior to 1977 when the U.S. Supreme Court handed down its decision in *Bates v. State Bar of Arizona*, advertising by the legal profession was prohibited. In *Bates* the Supreme Court ruled that state bar associations could not prohibit their members from advertising. Twenty-two years later debate over the appropriateness of legal advertising continues. Arguments in support of legal advertising tend to focus on the following: (1) its educational value to consumers, (2) its contribution to competition, and (3) its role in exposing dishonest attorneys. Opponents argue the opposite. Legal advertising (1) provides misinformation, (2) reduces competition and increases costs, and (3) damages the image of the profession (Huneycutt and Wibker 1991, MacDonald and Raymond 1991).

A number of studies have examined attitudes toward legal advertising. Most of these studies can be placed in one of two categories: (1) a comparison of attorney attitudes toward advertising with those held by other professionals, and 2) examinations of either attorneys' or consumers' attitudes toward legal advertising.

### Attitudes of Professionals and Consumers

The research that has explored attorney attitudes toward advertising has concluded that attorneys, like other professionals, have negative attitudes toward any kind of professional services advertising (e.g., Hite and Fraser 1988). A more recent study, however, suggests some change in this attitude among recent law school graduates who are more likely to approve of legal advertising than their colleagues who have been

practicing for five or more years (McCann, Stem, and Muehling 1993).

When the subjects are consumers, researchers have observed a more favorable attitude toward advertising. For example, two frequently cited studies that were conducted by Shimp and Dyer (1978 and 1980) compared attorney and consumer attitudes toward print ads for legal services. In both cases consumer evaluations were more favorable than those of attorneys. As state bar associations did not permit television and radio advertising at the time of their research, the authors did not explore attitudes toward broadcast advertising. Because television ads in particular have become commonplace, especially in the Southeast, MacDonald and Raymond (1991) included radio and television in a mail survey that compared attorney and consumer evaluations of reliance on various media in choosing attorneys. Respondents were asked to indicate either "no," "some" or "great" reliance on seven types of mass media and percentages were calculated. Their findings, that there is great variability in consumer use of all seven media, highlight the need for a more detailed examination of this topic.

The effectiveness of mass media sources, however, is secondary to the value consumers place on word-of-mouth. The extant literature has observed repeatedly that service consumers seek the opinions of others who are similar to them and have had experience with the service in question rather than rely on impersonal sources (Engel, Blackwell and Miniard 1986). None of these studies, however, has examined attorneys in particular or the extent to which consumers rely on word-of-mouth in selecting them.

Another area which has received little attention concerns the impact of sociodemographic variables on preferred information sources. To date, only one such variable has been investigated. In their study of consumers' level of education, Huneycutt and Wibker (1991) found that less educated consumers have more positive opinions of legal advertising and attorneys who advertise than groups with more education.

Other than education, other personal variables that could mediate preferred information sources when selecting an attorney have not been investigated. The present study is designed to partially fill this void. Specifically, it seeks to determine (1) the extent to which consumers use word-of-mouth and advertising when selecting attorneys for a variety of legal services, and (2) whether income levels influence consumer reliance on different information sources.

## METHODS

To accomplish the objectives of the study, a questionnaire was developed to measure the variables of interest. Specific items for the questionnaire were constructed based on a review of the literature in the areas of marketing and legal services.

The first part of the questionnaire asked respondents for basic demographic data. In the second part of the instrument, the following eight services that attorneys provide were listed: accident and personal injury, divorce and child custody, wills and estates, real estate, tax, contracts, criminal and traffic, and small business services. For each service nine sources of information that one might use in selecting an attorney were also listed. For each information source respondents were asked to indicate through a Likert-type scale (1 = very low, 5 = very high) the extent to which they might rely on each source of information in locating an attorney. The nine sources of information were yellow pages, television, direct mail, radio, newspaper, billboard, magazine, attorney referral, and friend or relative referral. Means were computed for reliance on each source of information for each of the eight services.

To determine whether there were differences among respondents based on their income level, the statistical analysis was conducted in two stages. First, for each of the eight legal services, univariate analyses of variance (ANOVAs) were performed with the respondents' income level as the independent variable, and the extent of their use of the nine sources of information as the dependent variable. In the second stage

a series of Tukey *a posteriori* tests were used to analyze differences across the income levels.

A total of 686 consumers participated in a telephone survey. Those surveyed were randomly selected from the telephone directory of a large metropolitan area in the Southeast.

## RESULTS

Among the respondents, 508 (73.9 percent) indicated that they had used the services of an attorney at some time; 178 (26.1 percent) had not. Ninety-eight respondents (20.3 percent) reported that they had an annual household income of less than \$15,000; 49 (10.1 percent) had an income between \$15,000 and \$25,999; 251 (51.9 percent) between \$26,000 and \$49,000; 25 (5.2 percent) between \$50,000 and \$74,999; 34 (7.0 percent) between \$75,000 and \$99,999, and 27 (5.6 percent) had an income exceeding \$100,000 per year.

### Sources of Information

For each of the eight services respondents relied most heavily on word-of-mouth. Means for referrals from friends and relatives ranged from 4.37 to 4.57, while means for referrals by attorneys ranged from 3.11 to 3.75.

Means for the seven forms of mass media, while not as high as those for the two forms of word-of-mouth, were consistent across types of legal services. They ranged from 1.29 to 2.77. For every service, respondents relied most on the yellow pages. Billboards were given the lowest rating across all eight services. These results are summarized in Table 1.

### Income Level

Significant differences among income levels in the use of two or more mass media sources—particularly the yellow pages and television—were observed for all eight forms of legal services. Of the seven mass media, the yellow pages was rated most favorably by all income groups for all eight legal services.

More importantly, word-of-mouth, or personal sources, produced no significant differences. Within all eight categories of legal services, all income groups were most likely to rely on referrals from friends and relatives. Attorney referrals were the second most favored choice for income groups across all legal services.



**Table 1**  
**Means for Sources of Information by Type of Service\***

Source	Type of Service							
	Accident/ Personal Injury	Divorce/ Child Custody	Wills and Estates	Real Estate	Tax	Contracts	Criminal/ Traffic	Small Business Services
Yellow Pages	2.77 (1.61)	2.53 (1.54)	2.31 (1.55)	2.26 (1.52)	2.68 (1.61)	2.59 (1.57)	2.74 (1.58)	2.57 (1.58)
TV	1.90 (1.31)	1.69 (1.19)	1.53 (1.08)	1.56 (1.10)	1.75 (1.24)	1.67 (1.14)	1.84 (1.26)	1.73 (1.19)
Direct Mail	1.46 (0.87)	1.45 (0.86)	1.38 (0.80)	1.38 (0.82)	1.52 (0.94)	1.41 (0.80)	1.47 (0.93)	1.44 (0.83)
Radio	1.43 (0.88)	1.37 (0.78)	1.30 (0.70)	1.32 (0.75)	1.45 (0.85)	1.38 (0.79)	1.41 (0.80)	1.39 (0.76)
News- paper	1.84 (1.14)	1.72 (1.06)	1.59 (1.03)	1.58 (1.00)	1.80 (1.11)	1.66 (1.02)	1.30 (1.11)	1.70 (1.02)
Billboard	1.36 (0.79)	1.31 (0.74)	1.29 (0.75)	1.27 (0.70)	1.35 (0.73)	1.37 (0.77)	1.34 (0.74)	1.35 (0.74)
Maga- zines	1.44 (0.91)	1.36 (0.80)	1.36 (0.81)	1.36 (0.81)	1.44 (0.85)	1.40 (0.82)	1.43 (0.85)	1.45 (0.85)
Attorney Referrals	3.11 (1.58)	3.50 (1.63)	3.48 (1.61)	3.45 (1.64)	3.72 (1.51)	3.59 (1.57)	3.75 (1.48)	3.69 (1.51)
Friend/ Relative	4.50 (1.06)	4.50 (1.06)	4.41 (1.19)	4.43 (1.15)	4.44 (1.10)	4.37 (1.20)	4.57 (0.94)	4.47 (1.12)

\*Standard deviations are in parentheses

With few exceptions the results of the Tukey tests disclose significant differences between lower and higher income levels in the use of mass media. More specifically, respondents with incomes less than \$15,000 were most amenable to mass media. In contrast, the group with an income in excess of \$100,000 is most resistant to these sources. Significant results only are presented below for each legal service.

**Accident and Personal Injury:** Of the mass media, significant differences occurred in reliance on yellow pages ( $F = 4.267, p = .0009$ ) and television ( $F = 4.994, p = .0002$ ). Respondents with incomes less than \$50,000 were significantly more likely than the other groups to rely on both.

**Divorce and Child Custody:** Again, the yellow pages ( $F = 3.948, p = .0017$ ) and television ( $F = 5.443, p = .0001$ ) produced the only significant differences. Respondents with incomes less than \$15,000 were more likely to use the yellow pages and television.

**Wills and Estates:** There were significant differences in the rating of yellow pages ( $F = 4.688, p = .0004$ ), television ( $F = 7.888, p = .0000$ ), and radio ( $F = 2.298, p = .0446$ ). Respondents with incomes less than \$15,000 were significantly more likely to use these media.

**Real Estate:** Significant differences occurred in the use of five of the information sources: yellow pages ( $F = 6.573, p = .0000$ ), television ( $F = 10.554, p = .0000$ ),

direct mail ( $F = 2.983, p = .0117$ ), radio ( $F = 4.272, p = .0008$ ), and newspapers ( $F = 2.830, p = .0158$ ). Respondents with incomes under \$26,000 were most likely to rely on all five sources. Conversely, respondents with incomes in excess of \$75,000 were least likely to use these sources.

**Tax:** Use of the yellow pages ( $F = 3.685, p = .0032$ ) and television ( $F = 8.161, p = .0000$ ) produced the only significant differences. The Tukey tests showed that the lowest income group was most likely and the highest income group least likely to rely on these sources.

**Contracts:** Significant  $F$  and  $p$  values were: yellow pages ( $F = 2.689, p = .0221$ ) and television ( $F = 6.935, p = .0000$ ). Groups with incomes above \$50,000 were least likely to use either medium.

**Criminal and Traffic:** Paralleling results observed in the previous category, significant differences were obtained for the yellow pages ( $F = 2.254, p = .0499$ ) and television ( $F = 6.336, p = .0000$ ). Again groups with incomes above \$50,000 relied least on either source.

**Small Business Service:** Significant differences were: yellow pages ( $F = 3.977, p = .0018$ ) and television ( $F = 5.189, p = .0002$ ). In accordance with previous results, the groups with incomes in excess of \$50,000 were least likely to use either source.

## DISCUSSION

The research findings contribute important information to a better understanding of the objectives of this study, which were: 1) to explore which sources of information consumers use in the acquisition of legal services, and 2) to clarify the relationship between income levels and reliance on mass media and word-of-mouth in the acquisition process.

### Sources of Information

The data confirm the importance of word-of-mouth in the evaluation of service providers. Consumers seeking legal services rely first on referrals provided by friends and relatives and then on referrals from attorneys. Because legal services are intangible and not standardized, consumers cannot evaluate them prior to purchase. As a consequence, it is reasonable to assume that prospective consumers who have had no direct experience with attorneys would seek advice from others who have. Moreover, means for attorney referrals ranged

from 3.11 to 3.75, which suggests that while attorneys are relied on more than mass media sources, their recommendations do not carry the value that those from more personal sources do.

Means for the seven impersonal sources of information are all less than 3.0 for each of the eight legal services. Of the seven, however, the yellow pages are relied on most for each legal service. Television is the second most useful mass media source. The remaining mass media sources all have means less than 1.85. Clearly, consumers do not consider direct mail, radio, newspapers, billboards or magazines when seeking information on legal services; but this finding may simply reflect the history of advertising by the legal profession. The yellow pages are used most frequently to promote legal services followed by television. Only recently have attorneys used outdoor advertising or other collateral materials. As less traditional media are used more frequently to create awareness, ratings by consumers may improve.

### Income Levels

Consumers in the lowest or highest income groups are most likely to differ significantly in their reliance on mass media. In particular, respondents with incomes less than \$15,000, followed by those who earn less than \$26,000, were most amenable to broadcast media. The results suggest that, as income levels drop, consumers are easier to reach via television and radio.

In contrast, respondents with incomes in excess of \$50,000 are increasingly difficult to reach as they consistently discount all sources of information including word-of-mouth. Moreover, with few exceptions, the group earning in excess of \$100,000 gave the lowest ratings to all nine information sources. For those sources where it was not the lowest, the rating was near the bottom. This attitude may reflect a disdain among consumers with higher income levels for mass media and its ability to convey information, and perhaps a general distrust of attorneys.

### Managerial Implications

Services are intangible and the outcome or value of a service performance is often difficult to predict. As a consequence, consumers turn to more experienced individuals for information. The quality of the attorney-client exchange, therefore, has implications for future transactions not only with current clients but also with their friends and relatives. Moreover, in light of the lower

ratings given attorney referrals by groups with higher incomes, attorneys might benefit by developing a public persona that contradicts the stereotype of attorneys that many consumers have. Donating time to worthy causes and not-for-profits may potentially generate a higher return than other forms of promotion.

Clearly, mass media messages are limited in their capacity to inform prior to the purchase of a service. A more effective strategy might be to put a human face on typical users of a particular legal service and to focus on the benefits these individuals received as a consequence of their association with the advertising attorney.

The responses of groups with varying levels of income also suggest that attorneys who do use mass media should develop targeted promotional strategies that exploit the media preferences, if any, of each group. For example, individuals most amenable to broadcast media are those with lower incomes. Attorneys who target this group can use television and radio to their advantage.

The high ratings awarded the yellow pages by all educational levels across legal specialties justify their inclusion in every attorney's media budget. In contrast expenditures on outdoor advertising and print media are questionable at best.

Direct mail is more problematic. Excluding the less than high school group, most groups rated direct mail slightly more reliable than billboards. This attitude may be a reflection of a general negative perception that unsolicited mail is junk mail, or the conclusion that direct mail is an inappropriate medium for professionals. Nevertheless, direct mail may be a timely, cost-effective method for attorneys whose practices are highly specialized--tax and contract law, for example--to reach smaller segments.

### **Research Implications**

There are several areas that would benefit from additional research. While this study asked respondents how much they would rely on various sources of information, it is not clear how many of the sources they actually did or would use for each of the different legal services. One might also conclude that personal referrals

were preferred because information important to the selection of a service is more effectively transmitted by word-of-mouth. In addition to asking respondents to rate how much they would rely on each information source, it would also be informative to ask how effective they perceived each medium to be--especially relative to word-of-mouth.

The lower rating of attorney referrals relative to friend and relative referrals also warrants exploration. Questions that capture perceptions of trustworthiness and experience would provide a measure of consumer confidence in attorneys and friends and relatives.

Finally, the findings indicate a differential use of mass media by several income groups. Future research should explore the influence of other demographic variables. For example, as young people have grown up with greater exposure to all broadcast media, age might significantly affect attitudes toward broadcast advertising.

### **Limitations of the Research**

A limitation of this study is that the population studied, while randomly selected, was of limited geographic scope. Future studies might compare results from more than one geographic area. A final limitation concerns the ability to reach consumers in order to have them participate in the survey. As this was a telephone survey, individuals without telephones were effectively eliminated from participating.

### **CONCLUSIONS**

This research examined which sources of information consumers actually rely on when choosing attorneys with different specialties. Respondents indicated that personal referrals are the most reliable source of information for all legal specialties. Of the mass media, respondents rated the yellow pages higher on reliability than other sources.

Income also influenced how respondents rated information sources. Consumers in lower income groups are more amenable to mass media messages. In contrast, consumers with higher incomes are least likely to use any sources of information.

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## AUTHOR INDEX

Alexander, M. Wayne	69	McGurr, Paul T.	59,124
Andrews, Barbara Coleman	215	McKay, Sandra	130
Arrigo, Jeff	84	McKnight, Oscar	50
Balachandran, Martha E.	112	Manchona, Marco F.	112
Banham, Richard P.	163	Marshall, Kimball P.	138
Barnes, Nora Ganim	159	Merz, Thomas	35
Blalock, Anthony Paul	108	Meyers, Martin S.	150
Blalock, Mary	75,108	Monson, Terry	35
Bowdidge, John S.	205	Mitchell, Mark Andrew	185
Bramblett, Debra	215	Montgomery, Robert D.	185
Brokaw, Alan	35	Mullins, Gary E.	150
Chandler, E. Wayne	23	Nakamura, Hiroshi	118
Chiesl, Newell	201	Nicklay, Patrick	195
Chung, Ed	118	Patton, Thomas C.	23
Desai, Arun	97	Paugh, Ronald	50
Desai, Suzanne	97	Perry, William A.	163
Devasagayam, P. Raj	145,155	Robinson, Richard	174
Dondolo, Bonggi	129	Saxby, Carl L.	193
Elliott, Kevin	45	Schibik, Timothy J.	85
Engelland, Brian	194	Schrader, Julie Toner	195
Glover, Glenda	138	Schramm, Lynn Anderson	64
Green, Shawn	169	Schweizer, Timothy P.	11
Hanna, Joe B.	28	Shields, Peggy O.	85
Harris, April	185	Shin, Dooyoung	45
Heuvel, Dana A. VanDen	145	Singh, Mandeep	194
Hinrichs, Brian R.	7	Slovacek, Richard	56
Holden, Alfred C.	210	Smith, J.R.	138
Hoyt, Frederick B.	190	Soares, Bella	75
Ibrahim, Nabil A.	215	Spielbauer, Amy	118
Jing, Zhu	79	Sterrett, Jack L.	29,102
Jones, Jeri Lynn	40	Thach, Sharon V.	163
Kearney, Terrence J.	174	Thanopoulos, John	92
Kellerman, Bert J.	102	Tarlos, Andrew	205
Kenny, James T.	28	Vida, Irena	1,139
Kunz, Michelle B.	133	Waikar, Avinash	129
Lewis, John	40	Walker, Josie V.	84
Lozada, Hector R.	113	Wang, Hsiu-Hui	102
Luthy, Michael	180	Whitaker, Grant	29
MacDonald, Alan	69	Workman, Letty	194
		Yates, Donald	185
		Yeargain, John W.	79

**UNIVERSITY/INSTITUTION INDEX**

The American College of Greece .....	92
Ashland University .....	50, 59, 124
Augusta State University .....	215
Aurora University .....	169
Bellarmino College .....	180
Chicago State University .....	174
Eastern Illinois University .....	23
Fordham University .....	210
Graceland College .....	23
Illinois State University .....	7
Illinois Wesleyan University .....	190
Indiana State University .....	201
Jackson State University .....	138
Luther College .....	11
Marquette University .....	174
Marshall University .....	97
Michigan Technological University .....	35
Minnesota State University, Mankato .....	45
Mississippi State University .....	194
Moorhead State University .....	69
Morehead State University .....	133
North Central College .....	56
North Dakota State University .....	195
Ohio State University Agricultural Technical Institute .....	64
Ohio University .....	194
Oklahoma City University .....	40
Saint Norbert College .....	118, 145, 155
Seton Hall University .....	113
Southeast Missouri State University .....	102
Southeastern Louisiana University .....	29, 75, 79, 84, 108, 112, 129, 130
Southwest Missouri State University .....	205
Tennessee State University .....	163
University of Evansville .....	185
University of Massachusetts Dartmouth .....	159
University of South Carolina-Spartanburg .....	185
University of Southern Indiana .....	85, 193
University of Wisconsin-Madison .....	1, 139
University of Wisconsin-Stevens Point .....	150
University Medical Center .....	108
Western Illinois University .....	28, 194