

MARKETING MANAGEMENT JOURNAL

Volume 18, Issue 1
Spring 2008

EDITORS

Mike d'Amico

and

Dale Lewison

University of Akron

Charles Pettijohn

Missouri State University

PRODUCTION EDITOR

Lynn Oyama

HEALTHCARE*first*, Inc.

The Marketing Management Journal (ISSN 1534-973X) is published semi-annually by the Marketing Management Association. Subscriptions, address changes, reprint requests and other business matters should be sent to:

Professor Charles E. Pettijohn
Executive Director
Marketing Management Association
Missouri State University
Springfield, MO 65897
Telephone: (417) 836-4188; FAX: (417) 836-4466

Manuscript Guidelines and Subscription Information: see pages v-vi.
Copyright © 2007, The Marketing Management Association

Published by the Marketing Management Association
Jointly sponsored by the University of Akron and Missouri State University

PUBLICATIONS COUNCIL OF THE MARKETING MANAGEMENT ASSOCIATION

Brian Engelland
Mississippi State University

Bob McDonald
Texas Tech University

Chris Hopkins
Clemson University

Mandeep Singh
Western Illinois University

Rob Moore
Missouri State University

Robin Luke
Missouri State University

EDITORIAL REVIEW BOARD

C. L. Abercrombie
The University of Memphis

Ramon Avila
Ball State University

Ken Anglin
Minnesota State University

Tim Aurand
Northern Illinois University

Thomas L. Baker
Clemson University

Nora Ganim Barnes
University of Massachusetts

Blaise J. Bergiel
Nicholls State University

William Bolen
Georgia Southern University

Lance E. Brouters
University of Texas

Stephen W. Brown
Arizona State University

Peter S. Carusone
Wright State University

Wayne Chandler
Eastern Illinois University

Lawrence Chonko
Baylor University

Reid Claxton
East Carolina University

Dennis E. Clayson
University of Northern Iowa

Kenneth E. Clow
University of Louisiana

Victoria L. Crittenden
Boston College

J. Joseph Cronin, Jr.
Florida State University

Michael R. Czinkota
Georgetown University

Alan J. Dubinsky
Purdue University

Joel R. Evans
Hofstra University

O. C. Ferrell
University of New Mexico

Charles Futrell
Texas A&M University

Jule Gassenheimer
University of Kentucky

Faye Gilbert
Georgia College and State University

David W. Glascoff
East Carolina University

David J. Good
Grand Valley State University

Joyce L. Grahn
University of Minnesota

John C. Hafer
University of Nebraska
Jan B. Heide
University of Wisconsin-Madison

Paul Hensel
University of New Orleans

Roscoe Hightower
Florida A & M University

G. Tomas M. Hult
Michigan State University

Thomas N. Ingram
Colorado State University

Molly Inhofe Rapert
University of Arkansas

L. Lynn Judd
California State University

William Kehoe
University of Virginia

Bruce Keillor
University of Akron

Bert J. Kellerman
Southeast Missouri State University

Scott Kelley
University of Kentucky

Roger A. Kerin
Southern Methodist University

Ram Kesavan
University of Detroit-Mercy

Gene Klippel
Michigan Tech University

Rick Leininger
Saginaw Valley State University

Jay Lindquist
Western Michigan University

Eldon Little
Indiana University-Southeast

Robin Luke
Missouri State University

Richard J. Lutz
University of Florida

Lorman Lundsten
University of St. Thomas

Barbara McCuen
University of Nebraska at Omaha

Charles S. Madden
Baylor University

Naresh Malhotra
Georgia Institute of Technology

Nancy Marlow
Eastern Illinois University

William C. Moncreif
Texas Christian University

John C. Mowen
Oklahoma State University

Jeff Murray
University of Arkansas

Rajan Natarajan
Auburn University

Donald G. Norris
Miami University

David J. Ortinau
University of South Florida

Ben Oumlil
University of Dayton

Feliksas Palubinskas
Purdue University-Calumet

Bill Pride
Texas A&M University

E. James Randall
Georgia Southern University

John Ronchetto
The University of San Diego

Ilkka Ronkainen
Georgetown University

Bill Schoell
University of Southern Mississippi

Bill Sekely
University of Dayton

Terence A. Shimp
University of South Carolina

Judy A. Siguaw
*Cornell-Nanyang Institute of Hospitality
Management, Singapore*

Tom J. Steele
University of Montana

Gerald Stiles
Minnesota State University

John Summey
Southern Illinois University

Ron Taylor
Mississippi State University

Vern Terpstra
University of Michigan

George Tesar
University of Wisconsin

Paul Thistlethwaite
Western Illinois University

Donald L. Thompson
Georgia Southern University

Carolyn Tripp
Western Illinois University

Irena Vida
University of Ljubljana

Scott Widmier
Kennesaw State University

Timothy Wilkinson
Montana State University

Thomas Wotruba
San Diego State University

Gene Wunder
Washburn University

TABLE OF CONTENTS

An Empirical Study of Launch Order Valuation Based Upon Stock Market Reaction <i>Michael Poletti, Howard Ling and Brian Engelland</i>	1
Gender Differences on the “Width” Dimension of Category Structure: A Case of Brand Typicality <i>Theresa A. Wajda, Michael Y. Hu and Annie Peng Cui</i>	14
Branding in the Global Arena: The Role of Culture <i>Dale Krueger and Shiva Nandan</i>	30
Managing Appreciating and Depreciating Customer Assets <i>Daniel L. Sherrell and Joel E. Collier</i>	39
Retail Store Image, Bona Fide Occupational Qualifications, and Job Discrimination: Establishing the <i>Essence of the Business</i> for Retail Organizations <i>Shaheen Borna, James M. Stearns, Brien N. Smith and Kian Emamalizadeh</i>	54
Dogmatism and Online Consumption: Examining the Moderating Role of Trust and Value of Exchange Outcome <i>Dheeraj Sharma</i>	63
A Comparison of the Ethical Perceptions of Prospective Personal Selling and Advertising Employees <i>Melissa Burnett, Charles Pettijohn and Nancy Keith</i>	77
Consumer Self-Confidence and Patronage Intensity Heuristics in Shopping Focused Word of Mouth Communication <i>Terrence J. Paridon</i>	84
The Student Orientation of a College of Business: An Empirical Look from the Students’ Perspective <i>Michael Pesch, Robert Calhoun, Kenneth Schneider and Dennis Bristow</i>	100
Marketing Implications of Locus of Control Orientation Among College Students: Comparison of Hispanic and Anglo Students in the United States <i>Russell Adams, Morris Kalliny, Gilberto de los Santos and Yong Jian Wang</i>	109
Perceived Image of India By U.S. Business Travelers <i>Tsu-Hong Yen, Gonzaga da Gama and Subha Rajamohan</i>	121

FROM THE EDITORS

The Marketing Management Journal, first published in Fall, 1991, is dedicated as a forum for the exchange of ideas and insights into the marketing management discipline. Its purpose was and continues to be the establishment of a platform through which academicians and practitioners in marketing management can reach those publics that exhibit interests in theoretical growth and innovative thinking concerning issues relevant to marketing management.

Submissions to *The Marketing Management Journal* are encouraged from those authors who possess interests in the many categories that are included in marketing management. Articles dealing with issues relating to marketing strategy, ethics, product management, communications, pricing and price determination, distribution sales management, buyer behavior, marketing information, international marketing, etc. will be considered for review for inclusion in *The Journal*. *The Journal* occasionally publishes issues which focus on specific topics of interest within the marketing discipline. However, the general approach of *The Journal* will continue to be the publication of combinations of articles appealing to a broad range of readership interests. Empirical and theoretical submissions of high quality are encouraged.

The Journal expresses its appreciation to the administrations of the College of Business Administration of the University of Akron and the College of Business of Missouri State University for their support of the publication of *The Marketing Management Journal*. Special appreciation is expressed to Lynn Oyama of HEALHTCAREfirst, Inc. and the Center for Business and Economic Development at Missouri State University for contributing to the successful publication of this issue.

The Co-Editors thank *The Journal's* previous Editor, Dub Ashton and his predecessor David Kurtz, *The Journal's* first Editor, for their work in developing *The Marketing Management Journal* and their commitment to maintaining a quality publication.

MANUSCRIPT AND SUBMISSION GUIDELINES
MARKETING MANAGEMENT JOURNAL
January 2008

Scope and Mission

The mission of *The Marketing Management Journal* is to provide a forum for the sharing of academic, theoretical, and practical research that may impact on the development of the marketing management discipline. Original research, replicated research, and integrative research activities are encouraged for review submissions. Manuscripts which focus upon empirical research, theory, methodology, and review of a broad range of marketing topics are strongly encouraged. Submissions are encouraged from both academic and practitioner communities.

Membership in the Marketing Management Association is required of the author or at least one co-author of each manuscript accepted for publication. A page fee is charged to support the development and publication of *The Marketing Management Journal*. Page fees are currently \$15 per page of the final manuscript.

Submission Policy

Manuscripts addressing various issues in marketing should be addressed to either:

Mike d'Amico
Marketing Management Journal
Department of Marketing
College of Business Administration
University of Akron
Akron, OH 44325-4804

Charles E. Pettijohn
Marketing Management Journal
Department of Marketing
College of Business Administration
Missouri State University
Springfield, MO 65897

Manuscripts which do not conform to submission guidelines will be returned to authors for revision. Only submissions in the form required by the Editorial Board of *The Marketing Management Journal* will be distributed for review. Authors should submit four copies (4) of manuscripts and should retain the original. Photocopies of the original manuscript are acceptable. Upon acceptance, authors must submit two final manuscripts in hard copy and one in diskette or CD form.

Manuscripts must not include any authorship identification with the exception of a separate cover page which should include authorship, institutional affiliation, manuscript title, acknowledgments where required, and the date of the submission. Manuscripts will be reviewed through a triple-blind process. Only the manuscript title should appear prior to the abstract.

Manuscripts must include an informative and self-explanatory abstract which must not exceed 200 words on the first page of the manuscript body. It should be specific, telling why and how the study was made, what results were, and why the results are important. The abstract will appear on the first page of the manuscript immediately following the manuscript title. Tables and figures used in the manuscript should be included on a separate page and placed at the end of the manuscript. Authors should insert a location note within the body of the manuscript to identify the appropriate placement.

Tables and figures should be constructed using the table feature of MICROSOFT WORD for Windows.

Final revision of articles accepted for publication in *The Marketing Management Journal* must include a CD or 3-1/2 diskette in MICROSOFT WORD for Windows in addition to two printed copies of the manuscript.

Accepted manuscripts must follow the guidelines provided by the MMJ at the time of acceptance. Manuscripts must be submitted on 8½ by 11 inch, bond paper. Margins must be one inch. Manuscripts should be submitted in 11-Times Roman and should not exceed thirty typewritten pages inclusive of body, tables and figures, and references.

References used in the text should be identified at the appropriate point in the text by the last name of the author, the year of the referenced publication, and specific page identity where needed. The style should be as follows: "...Wilkie (1989)..." or "...Wilkie (1989, p. 15)."

Each reference cited must appear alphabetically in the reference appendix titled "REFERENCES." References should include the authors' full names. The use of "et al." is not acceptable in the reference section. The references should be attached to the manuscript on a separate page.

The Editorial Board of *The Marketing Management Journal* interprets the submission of a manuscript as a commitment to publish in *The Marketing Management Journal*. The Editorial Board regards concurrent submission of manuscripts to any other professional publication while under review by the *Marketing Management Journal* as unprofessional and unacceptable. Editorial policy also prohibits publication of a manuscript that has already been published in whole or in substantial part by another journal. Authors will be required to authorize copyright protection for *The Marketing Management Journal* prior to manuscripts being published. Manuscripts accepted become the copyright of *The Marketing Management Journal*.

The Editorial Board reserves the right for stylistic editing of manuscripts accepted for publication in *The Marketing Management Journal*. Where major stylistic editing becomes necessary, a copy of the accepted manuscript will be provided to the author(s) for final review before publication.

Subscription Information

Communications concerning subscriptions, changes of address, and membership in the Marketing Management Association should be addressed to the Executive Secretary of the Marketing Management Association, Charles E. Pettijohn, Department of Marketing, Missouri State University, Springfield, Missouri 65897, (Telephone: 417-836-4188) (FAX: 417-836-4466).

Annual membership dues for the Marketing Management Association are \$35 and include a subscription to *The Marketing Management Journal*. The subscription rate for non-members is \$35. The library rate is also \$35.

AN EMPIRICAL STUDY OF LAUNCH ORDER VALUATION BASED UPON STOCK MARKET REACTION

MICHAEL POLETTI, University of North Carolina at Pembroke

HOWARD LING, University of North Carolina at Pembroke

BRIAN ENGELLAND, Mississippi State University

The preponderance of evidence, reported in more than three decades of research, appears to support a substantial advantage for first-movers, primarily manifested in the form of increased market share. However, there is growing evidence that the market share advantage of pioneering may not provide a long-term financial advantage because of the high costs of developing and introducing new products, the high rate of new product failures, and the dramatically changing marketing environment (Boulding and Christen 2003; Cook 1985; Eddy and Saunders 1980; Moore et al. 1991). This study examines the financial impact of launch order strategy using an event study methodology that incorporates market reactions based upon stock price swings. Results indicate that first-movers do experience a net financial benefit; however much of these initial gains are transitory, and are dissipated with the entry of second and third-movers. Furthermore, first-mover advantages are declining over time.

INTRODUCTION

New product development is a vital element in the survival and success of firms. Due to technological advances, increased competition from home and abroad, and shorter product life cycles, new product development is thought to be more important than ever. Even for large well-diversified companies like Procter and Gamble, products developed in the past ten years represent nearly half of their overall profits (Misrah and Bahbra 2001). However, there are inherent risks to pioneering, and the question of whether it is better to enter the market first or be a follower has been addressed from many different perspectives. More recent research has tended to question whether pioneering advantage is as valuable and durable as it was once presumed.

An important stream of research has incorporated stock market reactions as a meaningful estimate of the net real value of new product launch to the firm (Eddy and Saunders 1980; Chaney, Devinney and Winer 1991). Event studies incorporating stock

market reactions can account for the indirect costs of pioneering, the risks associated with this strategy, and the time value of money (Fama et al. 1969). While this research has provided new insights into the value of first-mover advantage, it has ignored the consideration of timing and order of new product moves (Lee, Smith, Grimm and Schomberg 2000), even though these are the very factors that often determine the success of new product introductions (D'Aveni 1994).

The purpose of this study is to glean some insights about the perceived value of launch order by examining stock market reaction to new product announcements over a twenty year period. It is hoped that this research will indicate whether the relative value of pioneering advantage has changed over the specified time period, and whether pioneering is still a robust strategy to generate shareholder value. To accomplish this purpose, we first offer a review of the launch order literature, then develop seven research hypotheses, outline our methodology for testing, and finally, present results and conclusions.

LITERATURE REVIEW

The strategic importance of the pioneering issue is witnessed by the consistent attention paid to it in the literature since the 1970s. Whether it is in a firm's best interest to pioneer or enter the new market after it has been established by someone else has been discussed in over 200 articles in the academic business literature. Unfortunately, the results of all of these studies have not been consistent.

The Case for Pioneering

A firm that is first to enter the market for a specific product or service is referred to as a pioneer or first-mover (Lieberman and Montgomery 1988). Given the evidence in the economic, management, and marketing literature, being first to market is endorsed as a viable strategy (for instance, Alpert 1987; Buzzell and Sultan 1975; Carpenter and Nakamoto 1990; Conrad 1983; Robinson and Min 2002). Pioneers initially enjoy short-term profits as they operate as a monopoly before later entrants arrive, commonly referred to as pioneer lead-time (Huff and Robinson 1994). Even after competitors enter, pioneers have been found to accrue long-term benefits, including scale economies, technological leadership, brand loyalty, preemptive patenting, switching cost barriers, barriers to competitor entry, product lines that preempt competition, and consumer preference formation (Bain 1956; Carpenter and Nakamoto 1989; Golder and Tellis 1993; Gilbert and Newbery 1982; Kerin et al. 1992; Lieberman and Montgomery 1998).

The Case for Fast Following

While the majority opinion finds strong advantages to pioneering, a growing number of articles have called into question the many benefits assumed to confer long-term advantages to pioneers. Learning curve and scale economy effects have diminished, as inter-firm diffusion of technology and other firm resources such as trade secrets, patents and knowledge diffusion via human resources mobility serve to negate the once heralded

advantages of pioneers (Mellahi and Johnson 2000). Further, it has been shown that market share leadership for pioneers is supported in only 10 percent of major product categories (Golder and Tellis 1993). Being first to market often does not ensure dominant market share or long-term rewards (Cahill 1996; Kerin et al. 1992). Indeed, depending on strategic posture, some firms might benefit from being first-movers, while others might profit from early or late entry (Chen et al. 2002). At the business unit level, being first-to-market may lead to a long-term profit disadvantage (Boulding and Christen 2003).

Despite the ready advantages which accrue to first-movers, there are substantial risks involved in being first to market. New product failure rates remain extremely high, despite considerable academic research and management resources devoted to the issue (Berggren and Nacher 2001). The rate of new product failures has been estimated conservatively at between 70 and 90 percent (Sarin and Kapur 1990), and more recently at between 80 and 95 percent (Berggren and Nacher 2000). In addition, for every four products that enter development, only one makes it to market, and upon launch, at least one of three products fail despite extensive research and planning (Stevens and Burley 1997). An estimated 46 percent of all resources allocated to new product development and commercialization by U.S. firms is spent on products that are cancelled or fail to yield adequate returns (Berggren and Nacher 2000). Consequently, there seem to be real advantages to entering the market later, after learning from the pioneer's mistakes.

Weaknesses in the Research Stream

New product initiatives that increase market share do not necessarily lead to increases in shareholder wealth, which after all, should be the main force shaping managerial decision making, since the shareholders are the owners of the firm (Lee et al. 2000). A better approach to assessing the value of product launch involves placing an objective value on any

change in market share and evaluating the corresponding return on investment (Cook 1985). Such an approach attempts to place an economic-based value on first-mover strategy, weighing both the potential benefits stemming from such a strategy against the costs and risks.

However, to date there is a paucity of empirical research that has incorporated profitability into the analysis, even though reviews of the entry order literature have repeatedly pointed to profit implications as one of the key unanswered questions (Lieberman and Montgomery 1988, 1989; Kerin et al. 1992; Robinson et al. 1994). Previous efforts have relied on surrogate measures such as survival rates and market share or involved piece-meal approaches in relatively obscure industries (i.e., bleached pulp and offshore oil rigs). These decisions adversely impact the generalizability of the results (Nehrt 1996).

The notable exception is Lee et al. (2000), who reported on an event study involving the performance consequences of move timing, order of entry, and competitive imitation as related to first-movers. The researchers did this by examining changes in shareholder stock price returns immediately following the announcement of new product introductions. This choice of research methodology was based upon the idea that financial markets are efficient and stock price shifts resulting from strategic actions such as new product launch will accurately reflect the true value to the firm (Fama 1970, 1991). Further, stock price measures are more closely linked to the actual timing of the new product introduction than annual accounting data (Bettis and Weeks 1987). The use of stock prices to estimate financial impact is an important tool, especially when the net advantages of market introductions may be short-lived due to competitive imitation (as is increasingly the norm) (D'Aveni 1994).

Studying 105 firms in the telecommunications, personal computer and brewing industries for a fifteen year period from 1975 to 1990, Lee et al. (2000) found that at the time of the product

introduction announcement, first-movers experienced an average positive three-day reaction of 2.17 percent. However, after imitators entered the market, first-movers experienced negative effects. A negative average reaction of -0.96 percent was experienced at the first imitation, and a negative average reaction of -1.31 percent was experienced at the second imitation, thus yielding a sum effect of -0.10 percent. Consequently, the study concluded that all first-mover advantages eventually erode as competitors copy or imitate first-movers.

EVENT STUDY METHODOLOGY

Stock prices are presumed to accurately measure the true value of firms, because they reflect the discounted value of all future cash flows, incorporating all relevant information (Chaney, Devinney and Winer 1991). Since shareholders are a major constituency of a firm, creation of value for shareholders should be a major criterion for managers to apply when developing and announcing new products. Therefore, properly conducted event studies, based on changes in stock prices, should reflect the financial impact of corporate policies and strategies more effectively than methodologies based on accounting returns (Eddy and Saunders 1980; Chaney, Devinney and Winer 1991; McWilliams and Siegal 1997). By investigating the price behavior of the firm's stock price at the time when new information is received about an event that affects the firm's cash flows, one is explicitly testing the underlying change in an unbiased market forecast of the firm's future income (Chaney, Devinney and Winer 1991).

The methodological assumptions grounded in financial theory and supported by empirical research indicate that investors will rapidly assimilate the implications of a new product announcement, collectively predict long-term future cash flows (both on the revenue and cost sides), and either buy or sell, depending on whether their expectations indicate that the stock price is too high or too low (Lane and Jacobson 1995). Thus, the change in stock

price following a new product announcement will provide an unbiased estimate of the future long-term earnings from the new product, provided the event study is implemented correctly. All things considered, it is an excellent tool to assess the true value of first-mover advantage (Lee et al. 2000).

The utilization of event study methodology to place an economic-based value on first, second, and third market entrants is important for two main reasons. First, although many strategic management and marketing studies have attempted to evaluate specific strategic decisions, few have attempted to tie their evaluative criteria to the most widely accepted measure of firm valuation, stock price. Second, new product development is the driving force behind corporate and managerial success, yet little evidence exists that associates such behavior to the firm's market value (Eddy and Saunders 1980; Tellis and Golder 1996; Lee et al. 2000).

HYPOTHESIS DEVELOPMENT

Theoretically, the firm that is first to introduce a new product attains an advantage over both fast-followers and later entrants (Lieberman and Montgomery 1988; Porter 1985). These advantages are largely manifested in the form of monopoly profits the first-mover realizes by being the only player in a marketplace niche, and long-term market share advantages garnered by pioneering firms (Chaney, Devinney and Winer 1991; Lee et al. 2000). For example, Chaney et al. (1991) found that firms realize a positive shareholder wealth effect at the precise time of new product introduction announcements. In addition, Lee et al. (2000) discovered that, at the time of new product announcements, first-movers experienced a positive three-day reaction of 2.17 percent. Thus it is posited:

H₁: In aggregate, first-movers will experience positive average abnormal stock returns following a new product announcement.

The magnitude and durability of the advantages first-movers experience are largely determined

by competitor response to new product introductions. By quickly following with an imitation product, which is increasingly the norm, competitors can adversely affect the impact and longitude of first-mover advantage by sharing in and/or reducing their potential profits (D'Aveni 1994; Lieberman and Montgomery 1988; Porter 1985). If financial markets accurately reflect the value of new product introductions, and if pioneering lead-times are declining over the past 25 years, then we should see evidence of a decline in average abnormal stock returns attributable to new product announcements if we compare an earlier period with a later period. Thus it is suggested:

H₂: In aggregate, first-mover average abnormal stock returns accruing from new product announcements will be less in the 1995-2004 period than those observed in the 1985-1994 period.

It has been theorized that firms which are first to introduce new products attain an advantage over both fast-followers and later entrants (Lieberman and Montgomery 1988; Porter 1985). However, the magnitude and durability of these advantages are largely determined by competitor reaction to new product announcements. By entering quickly with an imitation product competitors can adversely affect the magnitude and durability of first-mover advantage by sharing and/or reducing their potential profits (D'Aveni 1994; Lieberman and Montgomery 1988; Porter 1985). In addition, it was discovered by Lee et al. (2000) that first-movers experience, on average, negative abnormal stock returns of 0.96 percent following the new product announcement of the first competitor.

When the second-mover enters the market, the discounted future value of the first-mover's business should be adversely affected, since the added competition will impact sales volume, pricing and marketing expenditures required to maintain market share. Consequently, the stock price should go down. This is consistent with the findings of Lee et al. (2000). Thus, it is suggested:

H₃: In aggregate, first-movers will experience negative abnormal stock returns when a second competitor announces a competitive product.

Conversely, the second-mover should benefit by the addition of the new product to the market, and that benefit should be reflected by some sort of positive effect in the stock price of the second-mover. Thus, it is proposed that:

H₄: In aggregate, second-movers will experience positive average abnormal stock returns that are less than the returns experienced by first-movers.

There is empirical evidence that shows that first-movers experience an even greater abnormal negative effect on stock price (-1.31 percent) when a third company enters the market (Lee et al. 2000). The authors submit that it may be that these later imitators, while achieving little advantage for themselves, substantially erode first-mover advantages by transforming what was once a new product into an ordinary commodity. The researchers fell short of placing an exact percentage value on what they refer to as "little" advantage. Given that their study considered data in only three industries from 1975 to 1990, it is felt that in the current study the third entrant will likely pick up some of these dollars taken away from the first-movers' stock price immediately after entry. Thus, it is posited:

H₅: First-movers will experience negative abnormal stock returns when a third company announces a competitive product.

H₆: Third-movers will experience positive abnormal stock returns that are less than those experienced by first and second-movers.

The business environment has always been characterized by constant change. However, many would agree that since the 1980s the marketing environment has undergone change much more quickly and frequently than ever before. Rapidly expanding market demand, increased globalization of markets, quicker dissemination of information across consumers,

a rise in the mobility of managerial and technical personnel across firms, and substantial growth in the number and importance of scientific journals and trade publications are among the reasons for this unprecedented transformation of the marketing environment (Lee et al. 2000). Kindled by rapid technological advancements and the growth of the Internet, lead-time, arguably the key underpinning of first-mover advantage, likely has dramatically decreased since the 1980s.

Early imitators may learn from the first-mover's experience, such as reducing or avoiding development and testing costs and pricing mistakes (Lee et al. 2000). Further, Drucker (1985) identified several advantages to following, including limiting risk exposure and cutting development costs by reverse engineering.

While much of the first-mover literature asserts there are advantages in moving first, a number of scholars have fostered fast-following as a more profitable strategy (Smith et al. 1992; Teece 1986; Gal-Or 1985). In addition, research has shown that in some instances, a fast-follower can garner results superior to those of the first-mover (Boulding and Christen 2003; Gannon and Grimm 1992; Chaney, Devinney and Winer 1991). In kind, it is plausible that the profitability of first-movers, as measured by abnormal returns to stockholders, has also declined.

It is likely that the previous barriers to entry, which allow pioneers to initially earn short-term monopoly-like profits before competitors enter the market and longer-term benefits believed to accrue to first-movers even after competitors enter, have continued to decline each year as technology continues to grow exponentially. Thus, it is proposed that:

H₇: In the aggregate, second-movers during the 1995-2004 period will earn higher abnormal stock returns than second-movers during the 1985-1994 period.

METHODOLOGY

The main goals of this research effort are to place a market-based value on first, second, and third market entrants and to determine if first-mover advantage has declined over the recent past. In order to test the hypotheses, data was collected over a twenty year time period between 1985-2004 regarding new product announcements of first-movers and the corresponding announcements of second and third market entrants. This time period was chosen to span and extend the time period used in previous studies. The choice of a twenty year time horizon allowed partitioning of the data into two ten year periods so that the hypotheses regarding the decline of first-mover advantage could be tested.

The event study method was chosen as the most viable methodology to test the proposed hypotheses. Event study methodology is a powerful tool that can help researchers assess the financial impact of corporate policies and strategies (McWilliams and Siegal 1997). This methodology provides a rigorous foundation to isolate the component of return due to firm-specific events (the abnormal return) by adjusting stock returns for market-wide movements (Boulding and Christen 2003). The objective of an event study is to assess whether there are any abnormal or excess returns earned by security holders accompanying specific events where an abnormal or excess return is the difference between observed return and that appropriate given a particular return generation.

Sample Size

News reported in the *Wall Street Journal* was used to identify the timing of new product announcements by first-movers and subsequent announcements by second and third moving competitors. The *Journal* is considered the newspaper of record for financially relevant events (McWilliams and Siegal 1997). Because announcements of second and third market entrants are often not considered newsworthy enough to warrant their inclusion in the *Wall Street Journal*, the *New York Times* and Lexis/Nexis data base were also searched

to identify followers, in order to enhance the sample size. For each event window, firms for which there were confounding effects (defined as other economic events which are relevant to the firm in question as reported in the *Wall Street Journal*) were eliminated from the sample.

Although an appropriate sample size for reliable event study implementation has not been precisely identified in the literature, it is widely held that a sample of less than 20 is too small, and samples of at least 50 are more than adequate to ensure sound methodological implementation. The original sample consisted of 1,783 new product announcements made by firms, across 24 subsections of industries, which were listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ Composite Index. It was important to the study that the new product announcements were relatively unanticipated by investors. As such, 212 announcements were omitted because they had already been preannounced. Similarly, 321 new product announcements from the automobile industry were omitted because these annual events are largely anticipated. Additionally, 316 new product announcements made by pharmaceutical companies were omitted because it was felt their inclusion would unfairly bias the study toward pioneers, due to the high level of patent protection enjoyed by first-movers in this industry.

A major assumption which must be met for the proper implementation of an event study is that the effect of the particular event in question has happened in isolation from the effects of other firm-specific confounding events which would render the results invalid (McWilliams and Siegal 1997). Great care was taken to rule out confounding events in this study which additionally reduced the final usable sample. Two hundred seventeen of the announcements had to be eliminated because they involved more than one product (multiple announcements) making it impossible to ascertain the actual impact each product announcement had on the firms' abnormal

stock price gains. Another 54 announcements had to be purged due to confounding events during the three day event window (i.e., dividend declarations, impending mergers). Additionally, 43 new product announcement events were discarded due to confounds regarding actions involving either the first or second entrants over the three day event window. This resulted in a final usable sample of 423 paired events to compare the performance of both first and second entrants. This sample represented a broad cross section of public-owned firms and industries.

When third market entrants were considered, further purging reduced the sample size to 158. Though firms are required to release certain information as specified by the Securities and Exchange Commission (SEC) or the exchange in which their securities are traded, new product announcements are not required, nor is the financial press obligated to report all releases (Patterson 1993). This may, at least in part, explain why only 189 third followers could be identified. Of these, 31 had to be discarded due to confounding events of either first, second, or third-movers during the three day window around the third-mover's new product announcement, leaving 158 tri-part events available for comparison.

Data gathered from the Center for Research in Security Prices (CRSP) tapes, compiled at the University of Chicago, was used to calculate the expected normal returns for each firm in the sample based on the overall return of the market and the firm's beta coefficient during each individual three-day event window (the day before, the day of, and the day following the new product announcement). The firm's beta, which reveals the individual stock's volatility compared to the market as a whole, is a critical component in the assessment of the expected return for the firm over a given time period. Each firm's beta was calculated by regressing daily returns against that of the market for 365 trading days prior to the date of the firm's new product announcement. Then each firm's actual return over the three-day event window was compared against its

expected return to calculate its daily abnormal returns. These returns were transformed into an average standardized cumulative abnormal return, thus allowing a market-based value to be assigned to first, second, and third market entrants. Although the actual benefits and/or detriments associated with a new product introduction cannot be fully determined until the market dynamics unfold, stock price reactions have been shown to be an excellent proxy for the actual returns (Lee et al. 2000).

FINDINGS

The hypotheses were constructed in an effort to ascertain the economic ramifications of order of market entry on the first, second, and third market entrants. Prior to this study, there was significant evidence suggesting that there is, at least initially, an economic benefit to moving first. Thus, H_1 suggested that first-movers would realize positive average abnormal stock returns over the full twenty years presented in the study. The hypothesis was confirmed with first-movers realizing positive abnormal average returns of 1.265 over the period of study. In addition, the test statistic, used to assess whether the average cumulative abnormal return is significantly different from zero confirms this ($t = 34.181, .000 \text{ sig.}$).

Hypothesis two posited that the average abnormal returns garnered by first announcers would be less for the 1995-2004 period compared to those during the 1985-1994 period. The average abnormal returns yielded by first-movers decreased from 1.51 percent ($t = 29.061, .000 \text{ sig.}$) to 0.97 percent ($t = 22.195, .000 \text{ sig.}$) for the 1985-1994 to 1995-2004 periods, respectively, a decrease of 36 percent, thus supporting H_2 .

Hypothesis three posited that first-movers would experience negative average abnormal returns when the first competitor entered the market, due largely to the first-mover no longer being able to operate like a monopoly in a particular market. Over the twenty year period of study, first-movers experienced an average abnormal decline in stock price of .62 percent (t

= 32.379, .000 sig.), representing a 49 percent decrease in the first-movers' initial gain, thus supporting H₃. Additionally, over the 1995-2004 time period, 54 percent of the first-movers' initial gains were taken away following the announcement of an imitation product compared to a loss of only 46 percent of the first-movers' initial gains over the 1985-1994 period.

Hypothesis four suggested that between 1985-2004 positive average abnormal returns would be garnered by the first competitor to enter the market with an imitation product. First followers did gain an average abnormal return of .58 percent (t = 32.890, .000 sig.) over the twenty year time period supporting H₄. It is also noteworthy that second-movers averaged gains of .63 percent (t = 24.954, .000 sig.) and .51 percent (t = 22.150, .000 sig.) over the 1985-1994 to 1995-2004 periods, respectively. However, it must be pointed out that second-mover gains as a percentage of first-mover gains increased from 42 percent to 53 percent over the 1985-1994 and 1995-2004 time periods, respectively. This shows that second-movers have fared better in comparison to first-movers over the more recent period. Table I shows the average abnormal gains experienced by first and second-movers following new product announcements, and average abnormal losses for the first-mover.

Lee et al. (2000) discovered that first-movers experienced even greater average negative abnormal return (-1.31 percent) when a third firm entered the market. Thus, it was posited in Hypothesis five that first-movers would

experience negative average abnormal returns when a second follower introduced a new product. The results again showed that from 1985-2004 first-movers did experience an average abnormal loss of .34 percent (t = 16.558, .000 sig.) when the second follower was announced, lending credence to H₅. In addition, the negative abnormal average returns following third-mover announcements increased from .32 percent (t = 16.558, .000 sig.) to .35 percent (t = 12.787, .000 sig.) for the 1985-1994 to 1995-2004 time periods, respectively, adding additional evidence to the theory that first-mover advantage has indeed been declining.

In Lee et al.'s 2000 study the authors surmised that third-movers, while substantially eroding first-mover advantages, achieved little advantage for themselves. The current study strove to place an actual value on the third-mover's efforts. Thus Hypothesis six proposed that third-movers would experience positive abnormal stock returns upon announcement of their entry into an established market. Over the twenty year time period third entrants experienced a positive average abnormal return of .24 percent, lending strong support for H₆. Additionally, the average abnormal returns experienced following the third-mover's announcement increased from .24 percent (t = 10.848, .000 sig.) to .26 percent (t = 12.785, .000 sig.) for the 1985-1994 to 1995-2004 periods, respectively. Table II shows the average abnormal returns garnered by third-movers and the average abnormal losses experienced by first-movers following the third-movers' new product announcement.

TABLE I
Average Impact for Second-Mover Entry

Period	Sample Size	First-Movers' Gains	Second-Movers' Gains	First-Movers' Losses on Second-Mover Entry
1985-2004	423	1.26%, t=34.181, .000sg	.58%, t=32.890, .000sg	.62%, t=32.379, .000sg
1985-1994	229	1.51%, t=29.061, .000sg	.63%, t=24.954, .000sg	.69%, t=24.492, .000sg
1995-2004	194	0.97%, t=22.195, .000sg	.51%, t=22.150, .000sg	.53%, t=22.630, .000sg

Hypothesis seven proposed that in the aggregate, fast followers (second-movers) would attain higher abnormal stock returns than pioneers (first-movers) during the time period between 1985-2004. It was discovered that the average abnormal returns garnered during the event periods were 1.26 percent and .58 percent for pioneers and fast followers, respectively. However, these results must be interpreted with great care. It must be noted that, over this time period, pioneers sustained an average negative abnormal return of .62 percent when second entrants announced their new products. Thus, the actual average gain to pioneers would be .64 percent (1.26 percent minus .62 percent). Nonetheless, it seems apparent that it was economically better to be a first-mover rather than a fast follower over the twenty year period of study. In summary, all seven of the research hypotheses were supported (Table III).

announcements by first-movers very positively. Out of 423 new product announcements all but seven observations yielded positive abnormal three-day returns for first-mover firms. Three had no effect and four actually lead to negative abnormal average returns for first-movers. The gains averaged 1.26 percent, ranging from a low of -.30 percent to a high of 4.37 percent. One has to remember that what is being measured here is not an actual post-facto account of the total financial impact of these new product announcements, but rather a forming of a consensus as to the general long-term financial impact of the new product just announced. These abnormal changes in stock price serve as an appropriate and effective proxy by reflecting the aggregate expectations of investors regarding the change in long-term future cash flows (Eddy and Saunders 1980; Chaney, Devinney and Winer 1991; Lane and Jacobson 1995; Lee et al. 2000).

SUMMARY AND CONCLUSIONS

Given the findings in previous studies and the results from this work there is no doubt that the financial markets view new product

The extent to which these returns are long-lasting depends largely upon the reactions of competitors. However, the results show that on average first-movers relinquish .62 percent of

TABLE II
Average Impact for Third-Mover Entry

Period	Sample Size	Third-Movers' Gains	Second-Movers' Losses on Third-Mover Entry
1985-2004	158	.25%, t=15.290, .000 sig	.34%, t=16.558, .000 sig
1985-1994	83	.24%, t=9.554, .000 sig.	.32%, t=10.848, .000 sig.
1995-2004	75	.26%, t=12.285, .000 sig.	.35%, t=12.785, .000 sig.

TABLE III
Results of Hypothesis Tests

Hypothesis	Relationships	Result
H ₁	First-movers will experience positive average abnormal stock returns.	Supported
H ₂	First-mover returns will be less in the later period than in the earlier period.	Supported
H ₃	First-movers will experience negative returns upon entry by a second-mover.	Supported
H ₄	Second-mover returns will be less than first-mover returns.	Supported
H ₅	First-movers will experience negative returns upon entry by a third mover.	Supported
H ₆	Third-mover returns will be less than first and second-mover returns.	Supported
H ₇	Second-mover returns will be greater in the later period than in the earlier period.	Supported

their initial gains following the announcement of entry by the first competitor. In all but 16 of the 423 cases, first-movers gave back part of their initial gains. In ten of these cases first-movers experienced no effect and six actually gained additional abnormal returns following the second entrant's announcement.

The initial average abnormal returns garnered by first-movers were also negatively impacted by the announcement of a third market entrant. Out of 158 announcements of market entry by second followers, first followers again gave back some of their initial gains in all but ten instances. Three second follower announcements resulted in no impact and seven resulted in additional abnormal gains for the first-mover. The negative abnormal returns for first-movers averaged .34 percent over the 1985-2004 period. Similar to the findings regarding second-mover entry, the extent to which initial gains were lost depended largely on the amount of lead-time and the comparative relative advertising intensity ratios of first and third-movers.

There also seems little doubt that both second and third market entrants garner substantial positive abnormal returns following their announcements of market entry. Second entrants averaged abnormal stock price increases of .58 percent, while third entrants averaged abnormal gains of .25 percent. Second-movers realized positive abnormal three-day returns in all but ten observations, seven of which were negative and three had no impact. Similarly, third-movers experienced positive abnormal returns in all but twelve observations, eight of which were negative, while four resulted in no impact.

It is impossible to conclude whether it is best to be a first, second, or third company to enter a new product market, given the data that was collected. Rather, the economic ramifications of order of entry are likely to depend upon the industry, economic conditions at the time of entry, and the strategic postures taken by early industry participants. However, it can be

concluded that first-movers are initially rewarded economically. Nonetheless, it has been shown that these advantages have decreased over the 1985-2004 time period.

STUDY LIMITATIONS AND FUTURE RESEARCH

The structured content analysis which was conducted in this study was a very long and arduous process. However, it was felt this was the most effective way to identify the first three firms which announced the entry of a particular product. Future endeavors of this type should attempt to measure the negative abnormal stock price effects likely to be experienced by second and third-movers when the pioneer announces its new product. Although there is no way of anticipating who these followers will be with any degree of certainty, researchers need only check the negative effect these followers experienced following the first-mover's announcement. Then a conclusion could be drawn as to which of the three entrants performed better financially, at least in the eyes of the investment community.

There are undoubtedly significant differences in the success of first, second, and third-movers that vary by industry. However, there is no apparent way to secure a large enough sample size in any one particular industry using the data gathering methodology employed in this study. Researchers interested in doing individual industry comparisons should employ the data gathering technique used by Lee et al. (2000). The authors chose three industries, identified the new products that were developed by industry participants, and then conducted a key word search to identify publications in which these new products were announced. Additionally, achieving an adequate sample size for industry specific studies may be achieved by expanding the database as in the work by Eddy et al. (1993) which used The Funk and Scott Index, Electronic News, Datamation, and various other periodicals to identify new product announcements.

Finally, there are undoubtedly many firm specific variables such as pioneer lead-time, relative R&D intensity, and relative advertising intensity that affect the performance of firms developing and entering new markets. Research regarding other variables (i.e., degree of market versus sales orientation) would also be valuable in further explaining the value of first-mover advantage.

REFERENCES

- Alpert, Frank H. (1987), "Product Categories, Product Hierarchy, and Pioneership: A Consumer Behavior Explanation for Pioneer Advantage," in *AMA Educators' Proceedings*, Susan P. Douglas et al. eds., Chicago: American Marketing Association, pp. 133-138.
- Bain, Joe S. (1956), *Barriers to New Competition, Their Character and Consequences in Manufacturing Industries*, Cambridge: Harvard University Press.
- Berggren, Eric and Thomas Nacher (2000), "Why Good Ideas Go Bust," *Management Review*, 89(2), pp. 32-36.
- Berggren, Eric and Thomas Nacher (2001), "Introducing New Products Can Be Hazardous to Your Company: Use the Right New Solution Delivery Tools," *Academy of Management Executive*, 15(3), pp. 92-101.
- Bettis, Richard A. and David Weeks (1987), "Financial Returns and Strategic Interactions: The Case of Instant Photography," *Strategic Management Journal*, 8(6), pp. 549-563.
- Boulding, William and Markus Christen (2003), "Sustainable Pioneering Advantage? Profit Implications of Market Entry Order," *Marketing Science*, 22(3), pp. 371-392.
- Buzzell, Robert D. and Paul W. Farris (1977), "Marketing Cost in Consumer Goods Industries," in *Strategy + Structure = Performance*, H. Thorelli, ed., Bloomington, IN: Indiana University Press, pp. 122-145.
- Buzzell, Robert D., Bradley T. Gale and Ralph G. M. Sultan (1975), "Market Share – A Key to Profitability," *Harvard Business Review*, 53(1), pp. 97-106.
- Cahill, Dennis (1996), "Pioneer Advantage: Is it Real? Does it Matter?" *Marketing Intelligence and Planning*, 14(4), pp. 5-8.
- Carpenter, Gregory S. and Kent Nakamoto (1990), "Competitive Strategies for Late Entry into a Market with a Dominant Brand," *Management Science*, 36(10), pp. 1268-78.
- Carpenter, Gregory S. and Kent Nakamoto (1989), "Consumer Preference Formation and Pioneering Advantage," *Journal of Marketing Research*, 26(August), pp. 285-298.
- Chaney, Paul K., Timothy M. Devinney and Russell S. Winer (1991), "The Impact of New Product Introductions on the Market Value of Firms," *Journal of Business*, 64(4), pp. 573-610.
- Chen, Sheng-Syan, Kim Wai Ho, Kueh Hwa Ik and Cheng-Few Lee (2002), "How Does Strategic Competition Affect Firm Values? A Study of New Product Announcements," *Financial Management*, 21(2), pp. 67-84.
- Conrad, Cecilia (1983), "The Advantage of Being First and Competition Between Firms," *International Journal of Industrial Organization*, 1(4), pp. 353-364.
- Cook, Jr. Victor J. (1985), "The Net Present Value of Market Share," *Journal of Marketing*, 49(3), pp. 49-63.
- D'Aveni, Richard A. (1994), *Hyper-competition: Managing the Dynamics of Strategic Maneuvering*, New York: Free Press.
- Drucker, Peter F. (1985), "The Discipline of Innovation," *Harvard Business Review*, 63(3), pp. 67-72.
- Eddy, Albert R., R. Fletcher, Harold D. Margenthaler, Charles R. Reinhart and J. Walter (1993), "Financial Signaling and New Product Announcements," *Mid-Atlantic Journal of Business*, 29(1), pp. 97-108.
- Eddy, Albert R. and George B. Saunders (1980), "New Product Announcements and Stock Prices," *Decision Sciences*, 11(1), pp. 90-97.
- Fama, Eugene F., Lawrence Fisher, Michael C. Jensen and Richard Roll (1969), "The Adjustment of Stock Prices to New Information," *International Economic Review*, 10(1), pp. 1-21.

- Fama, Eugene F. (1970), "Efficient Capital Markets: A Review of Theory and Empirical Work," *Journal of Finance*, 25(2), pp. 383-417.
- Fama, Eugene F. (1991), "Efficient Capital Markets: II," *Journal of Finance*, 46(5), pp. 1575-1617.
- Gal-Or, Esther (1985), "First-Mover and Second-Mover Advantages," *International Economic Review*, 26(3), pp. 649-653.
- Gannon, Martin J. and Curtis M. Grimm (1992), "An Organization in Formation – Processing Profile of First-Movers," *Journal of Business Research*, 25(3), pp. 231-241.
- Gilbert, Richard J. and David M. G. Newbery (1982), "Preemptive Patenting and the Persistence of Monopoly," *American Economic Review*, 72(3), pp. 514-526.
- Golder, Peter N. and Gerard J. Tellis (1993), "Pioneer Advantage: Marketing Logic or Marketing Legend?" *Journal of Marketing Research*, 30(2), pp.158-70.
- Huff, Lenard C. and William T. Robinson (1994), "Note: The Impact of Lead-Time and Years of Competitive Rivalry on Pioneer Market Share Advantages," *Management Science*, 40(10), pp. 1370-77.
- Kerin, Roger A., P. Rajan Varadarajan and Robert A. Peterson (1992), "First-Mover Advantage: A Synthesis, Conceptual Framework, and Research Propositions," *Journal of Marketing*, 56(4), pp. 33-52.
- Lane, Vicki and Robert Jacobson (1995), "Stock Market Reactions to Brand Extension Announcements: The Effects of Brand Attitude and Familiarity," *Journal of Marketing*, 59(1), pp. 63-78.
- Lee, Hun, Ken G. Smith, Curtis M. Grimm and August Schomberg (2000), "Timing, Order and Durability of New Product Advantages with Imitation," *Strategic Management Journal*, 21(1), pp. 23-30.
- Lieberman, Marvin B. and David B. Montgomery (1988), "First-Mover Advantages," *Strategic Management Journal*, 9 (Summer), pp. 41-58.
- Lieberman, Marvin B. and David B. Montgomery (1998), "First-Mover (Dis)Advantages: Retrospective and Link with the Resource-Based View," *Strategic Management Journal*, 19(2), pp. 1111-1125.
- McWilliams, Abigail and Donald Siegal (1997), "Event Studies in Management Research: Theoretical and Empirical Issues," *Academy of Management Journal*, 40(3), pp. 626-657.
- Kamel, Mellahi and Michael Johnson (2000), "Does It Pay to Be a First-Mover in e.Commerce? The Case of Amazon.com," *Management Decision*, 38(7), pp. 445-454.
- Mishra, Debi Prasad and Harjeet S. Bhabra (2001), "Assessing the Economic Worth of New Product Preannouncement Signals: Theory and Empirical Evidence," *Journal of Product and Brand Management*, 10(2), pp. 75-93.
- Moore, Michael J., William Boulding and Ronald C. Goodstein (1991), "Pioneering and Market Share: Is Entry Time Endogenous and Does it Matter?" *Journal of Marketing Research*, 28(1), pp. 97-104.
- Nehrt, Chad (1996), "Timing and Intensity Effects of Environmental Investments," *Strategic Management Journal*, 17(7), pp. 535-547.
- Patterson, William C. (1993), "First-Mover Advantage: The Opportunity Curve," *Journal of Management Studies*, 30(5), pp. 759-777.
- Porter, Michael E. (1985), *Competitive Strategy*, New York: The Free Press.
- Robinson, William T., Gurumurthy Kalyanaram and Glen L. Urban (1994), "First-Mover Advantages from Pioneering New Markets: A Survey of Empirical Evidence," *Review of Industrial Organization*, 9(1), pp. 1-23.
- Robinson, William T. and Sungwook Min (2002), "Is the First to Market the First to Fail? Empirical Evidence for Industrial Goods Businesses," *Journal of Marketing Research*, 39(1), pp. 120-128.
- Sarin, Sharad and Gour M. Kapur (1990), "Lessons from New Product Failures: Five Case Studies," *Industrial Marketing Management*, 19(4), pp. 301-313.

- Smith, Ken G., Curtis M. Grimm and Martin J. Gannon (1992), *Dynamics of Competitive Strategy*, Newbury Park, CA: Sage.
- Stevens, Greg A. and James Burley (1997), "3,000 Raw Ideas = 1 Commercial Success!" *Research Technology Management*, (May/June), 40(3), pp. 16-27.
- Teece, David J. (1986), "Profiting from Technological Innovation: Implications for Integration, Collaboration, Licensing and Public Policy," *Research Policy*, 15, pp. 285-305.
- Tellis, Gerard J. and Peter N. Golder (1996), "First to Market, First to Fail? Real Causes of Enduring Market Leadership," *Sloan Management Review*, 37(2), pp. 65-75.

GENDER DIFFERENCES ON THE “WIDTH” DIMENSION OF CATEGORY STRUCTURE:

A CASE OF BRAND TYPICALITY

THERESA A. WAJDA, Slippery Rock University

MICHAEL Y. HU, Kent State University

ANNIE PENG CUI, West Virginia University

The objective of this research is to consider how gender differences in processing may potentially manifest themselves in categorical/cognitive structures that are constructed differently from one another. Thus, by utilizing the construct of “typicality,” interest lies in determining if men and women differ in their assessments of category member similarity. Employing the “Theory of Selectivity,” a theoretical framework is proposed that links gender differences in processes of attention to differences in the construction of category structures. Results garnered from this research indicate that males and females differ in their perceptions of product/brand equivalence. Consequently, male/female differences in the formation of brand consideration sets as well as differences in how marketers might endeavor to position their brands are some of the managerial implications that are discussed based on this study’s findings.

INTRODUCTION

During the past few years, there has been a considerable amount of media interest directed toward gender differences in the acquisition, processing, and storage of information. For example, an article (Vasich 2005) located on the University of California, Irvine (UCI) website explicated a scientific study that discovered that males and females possess disproportionate amounts of gray and white brain matter. Males were identified as possessing higher concentrations of gray (versus white) matter, while females were discovered to have higher levels of white (versus gray) matter. An implication drawn from this discovery was that males and females appear to pursue different routes in problem solving, even in cases where an identical solution is reached (Vasich 2005). Additionally, in a recent issue of a popular financial magazine, a feature article attempts to synthesize some of the scientific discoveries that have been made over the past two decades with respect to differences between the male

and female brains (Pincock 2006). cursory descriptions of gender differences in the processing of sensory information and in the differential use of the right and left brain hemispheres for select tasks were among some of the topics highlighted in this issue. Consequently, in light of these examples along with all of the other varied streams of academic research that have been dedicated to exploring and explicating gender differences in information processing (e.g., Blum 1997; Hansen 1981; Moir and Jessel 1991), the objective of this research is to consider how these differences in processing may potentially manifest themselves in categorical/cognitive structures that are constructed and organized differently from one another. Thus, the primary intent of this research piece is to examine the internal structure of categories from the vantagepoint of category membership. Specifically, by utilizing the construct of “typicality,” interest lies in determining if men and women differ in their assessments of category member similarity. Consequently, the nature (i.e., composition) of these similarity assessments, as well as their relative dispersion within a specified category, will be investigated. Furthermore, the marketing

implications of this potential gender difference will also be addressed.

GENDER DIFFERENCES IN PROCESSING

Although researchers from varied disciplines have studied male/female differences in the allocation of attentional resources (e.g., Grabe and Kamhawi 2006; Pease and Pease 2000), there has been one researcher who has made significant strides in explicitly linking attentional resource allocation to choice of processing strategy. In several research studies conducted by Meyers-Levy (1986, 1988, 1989), it was found that males and females differentially allocated the cognitive resources they devoted to a processing task. According to the “Theory of Selectivity” (Meyers-Levy 1986), males are highly “selective” in the information that they apprehend from the environment for subsequent processing. Consequently, they tend to impose limits on both the amount and content of information that is considered upon contact with a stimulus. Thus, rather than comprehensively processing all cues at their disposal, males consider only a subset of all available information. Furthermore, males also appear to resort to a number of heuristic devices that aid them in performing this selective, gate-keeping function. One heuristic device commonly employed by males is reliance on a singular piece of information. Instead of using multiple cues to piece together the elements of a stimulus and its surrounding context, only one focal cue is extracted from the environment and utilized in subsequent processing. Additional tactics employed by males include seeking out cues that coincide with well-entrenched memory structures or multiple cues that imply a conceptually singular theme (Meyers-Levy 1986).

In a manner opposite to males, the “Theory of Selectivity” (Meyers-Levy 1986) asserts that females exert a tremendous amount of effort in attempting to assimilate all available cues in their environments. Thus, although the demands of a task may exceed human

processing resources (thereby preventing females from accomplishing such an objective) they are still thought to engage in a comprehensive, detailed analysis of all available information (Meyers-Levy 1986).

Linking Gender Differences in Processing to Cognitive Structure

Based on the results obtained by Meyers-Levy (1986), it is proposed by this research that gender differences in both the effort expended during processing as well as the number and type of informational cues *attended* to, will manifest itself in category structures that are constructed and organized differently from one another. Thus, the “Theory of Selectivity” becomes our theoretical base for conceptually bridging the gap between processes of *attention* and those related to information storage (i.e., category construction and organization), and ultimately, to proclivity to employ a particular information processing strategy. To illustrate, the “Theory of Selectivity” states that men tend to direct attention to a limited number of cues that provide a maximal amount of information. This permits them to impose structure on a vast amount of seemingly unrelated information by enabling them to quickly identify and extract elements of commonality. It appears intuitive, therefore, that the category structures responsible for guiding this type of processing should be constructed in a similar fashion. In other words, it is anticipated that the category structures of males are fairly broad-based and loosely defined. Thus, the parameters by which these categories are defined and how category membership is assessed are likely to be determined by a limited number of highly salient and important attributes.

In the opposite vein, the “Theory of Selectivity” states that females tend to direct attention to a wide assortment of environmental cues (Meyers-Levy 1986). Thus, it seems logical that information processing on the part of women should be guided by category structures that are narrowly defined according to a precise set of attribute standards. Consequently, a large category system divided along subtle lines of

distinction should be extremely beneficial in helping females to recognize and identify new stimulus situations.

Thus, in order to link gender differences in cognitive structure to differences in processing proclivity, our immediate research goal is to ascertain if men and women differ in the degree of latitude that they exhibit when defining categorical boundaries. However, unlike other researchers who have attempted to measure a category’s endpoints, this research will delve further into the internal structure of categories by ascertaining the relative position of specified category members. Specifically, not all members associated with a particular category at a specified level of taxonomic abstraction are considered equal in their embodiment of category characteristics. Rather, most categories contain members that vary in perceived equivalency to those characteristics thought to define “ideal” (i.e., prototypical) category membership.

INTERNAL STRUCTURE OF CATEGORIES – TYPICALITY

Although one can conceive of category boundaries in terms of conditions that specify the necessary and sufficient criteria required for category membership, separateness of continuous categories can also be achieved by conceiving of categories in terms of their clear instances (Rosch 1978). According to Rosch (1978), “categories can be conceived as clear instances to the extent that a perceiver places emphasis on the correlational structure of perceived attributes such that categories are represented by their most structured portions.” Thus, the term “prototype” has been used to refer to a clear or ideal instance of a category. Operationally, prototypes are defined based on person perception of a category member’s “goodness of fit” to a specified category (i.e., typicality). The higher the typicality score, the more representative an item is perceived to be in relation to the category against which it is being judged.

Although different determinants of typicality have been identified (e.g., familiarity with an item, the degree to which an item shares attributes with other category members, etc.) the attribute-sharing perspective is most applicable to the objectives of the present study. Based on a review of the literature, there are two separate models that relate attribute sharing to typicality. These include the “family resemblance” model developed by Rosch and Mervis (1975), and the “feature-similarity” approach developed by Tversky (1977). The family resemblance model simply states that typicality of an item is based on the attributes it shares in common with other category members. Thus, the more attributes an item has in common with other members, the more typical the product is regarded, and hence, the greater its family resemblance score. According to Rosch and Mervis (1975), “members of a category come to be viewed as prototypical of the category as a whole in proportion to the extent to which they bear a family resemblance (i.e., possess attributes in common) with other members of the category.” Furthermore, an item possessing a high family resemblance score, (i.e., it shares most of its attributes with other category members), will also tend to have the fewest attributes in common with related contrast categories (Rosch and Mervis 1975). Family resemblance is deduced by enlisting subjects to enumerate attributes for a set of items belonging to a specified category. Upon completion, each item’s family resemblance score is calculated by weighting its attributes by the number of items that share each attribute and then summing these weights. Through a series of experiments that evaluated the relationship between perceived typicality and family resemblance on items existing in one of three types of taxonomic categories (i.e., superordinate, basic-level, and subordinate categories), it was concluded that a strong, significant correlation between the two measures existed. Specially, results garnered from these studies indicated that the more an item had attributes in common with other category members, the more it was rated as

being a strong, highly representative member of the category (Rosch and Mervis 1975).

Building on the family resemblance model, the feature-similarity model devised by Tversky (1977) factors both common and distinctive attributes into an item’s typicality rating. Specifically, in ascertaining the similarity between two items A and B, a function is computed whereby the features of A that are not shared by B, and the features of B that are not shared by A, are subtracted from the sum of A and B’s common features (Tversky and Gati 1978). Thus, a positive relationship exists between perceived typicality and the extent to which an item shares attributes in common with other category members. However, unlike other attribute-sharing models, the feature-similarity approach also takes into account the distinctive attributes claimed by an item. Thus, under this approach, perceived typicality is negatively related to the distinctive attributes possessed by A and B.

Due to the diagnosticity of attribute information in product/service selection/consumption, each of these models will be used in conjunction with one another in order to ascertain if gender differences exist in perceptions of category member equivalence.

Gender Differences in Category Member Equivalence

Although substantial research has concluded that categories possess members that vary in degree of representativeness, the notion that category nonequivalence may be influenced by an individual difference variable (e.g., gender) has received little attention in the literature. Two notable exceptions include Poole (1982) and Pettigrew (1958). In a study conducted by Poole (1982), male and female subjects were provided with a battery of cognitive-style tests that were intended to tap items such as conceptual differentiation, categorizing flexibility, conceptual preference, divergent thinking processes, and equivalence ranges. Highly similar in meaning to the concept defined as typicality, “equivalence range” refers

to the range of stimuli placed into a category per a fixed number of stimuli (Glixman 1965). Based on an assessment of discriminant weights, Poole (1982) concluded that males and females showed a number of cognitive-style differences with one of the most significant differences occurring in category estimation. Specifically, males were found to display broad estimates of category boundaries while females appeared to display more narrow estimates of category boundaries. Extending these findings to previous discussions on typicality, it can be argued that Poole’s (1982) results seemingly indicate that males perceive more items as being representative of a particular category than females. Thus, it is anticipated that males will, on average, report higher typicality scores for a given set of stimuli than females.

Similar to the concept of equivalence range, “bandwidth” and “category width” are two other terms that have been used interchangeably in the literature. According to Pettigrew (1958), category width is conceived as a means of capturing a subject’s “typical equivalence range” for classifying stimuli. According to this researcher, individuals appear to exhibit considerable consistency in the range or width of their cognitive categories. Thus, regardless of the category tapped, subjects can be classified as belonging to a group of broad, medium, or narrower categorizers. Broad categorizers, for example, will risk incorporating an object potentially considered to be an outlier into their category structures in order to include a maximum number of positive instances. Conversely, narrow categorizers are more likely to disregard positive instances of a category in order to minimize the number of negative instances (Pettigrew 1958). In frequent rounds of scale testing, Pettigrew (1958) discovered that gender of the respondent significantly influences the score received on the “category width” scale. Specifically, it is consistently found that males display broad category estimates while females display significantly narrower category estimates.

Studies similar to that conducted by Pettigrew (1958) provide corroboratory support for

gender differences on the cognitive dimension of category width. Meyers-Levy (1986), for example, references several studies that have attempted to measure this dimension by engaging subjects in various sorting tasks. In these studies, respondents are presented with a standard object (i.e., one perceived as being highly typical of the category in question) along with other stimuli that vary in similarity to the standard. Shapes and colors are some of the stimuli that have been used in these experiments (Block and Block 1973; Wallach and Caron 1959). In each of these studies, males consistently endeavored to group objects into broad, overarching categories while females tended to form much narrower item groupings.

In summary, each of the constructs referenced above (i.e., typicality, equivalence range, category width, and bandwidth) have attempted to tap the width (versus depth) dimension of category structure, albeit from slightly different angles. For example, studies measuring equivalence range, category width and bandwidth have tended to restrict their focus to the boundaries imposed on a category. Specifically, each of these measures has attempted to discern if there are male/female differences in the values bestowed on a category's endpoints. Typicality, on the other hand, has received far less attention with respect to potential variation by gender. Typicality can be distinguished from the other three constructs (i.e., equivalence range, category width and bandwidth) in that this measure focuses less on the boundary conditions associated with a category, and more on the dispersion of “perceived object similarity” within the confines of a specified category. Based on the importance of typicality to marketers, coupled with the lack of empirical testing that has been done on this measure, this construct will be explored further. Specifically, the mediating influence of gender on typicality judgments within a marketing context will be considered.

Differences on the Horizontal Category Dimension in a Marketing Context.

According to Loken and Ward (1990), the construct of typicality is important to marketers for several reasons. First, the extent to which consumers perceive a product as being more or less representative of a particular category has critical implications for how a product is positioned. For example, a high-energy, caramel-colored, carbonated beverage may be perceived by consumers as belonging to either the category of health/sports drink, or cola categories. Furthermore, if consumers proceed to categorize the drink as a cola, subsequent issues to be addressed include the choice of category members that the drink will be compared with, along with how typical the drink is perceived in relation to other “cola” category members. Additional issues of concern to marketers include the notion that perceptions of typicality linked to a product or brand are likely to influence the probability of a product or brand being included as a member of a consumer's evoked set as well as the likelihood that consumers will categorize and evaluate the product in the direction intended by the marketer (Loken and Ward 1990).

The theories that drive individuals' perceptions of object typicality (i.e., family resemblance and feature-similarity) were previously outlined. Extending this research, Loken and Ward (1990) attempt to validate these earlier models by evaluating the construct of typicality in product categories. Based on an earlier discussion, the model of family resemblance argues that the more typical an object is of its stated category, the more attributes it will share with other members, and hence, the greater its family resemblance (Mervis and Rosch 1981). Moving this model into the realm of product categories, Loken and Ward (1990) designed a study that enlisted subjects to complete a subset of measures of typicality and family resemblance for eight superordinate and eight subordinate product categories (each containing 15 members). For example, one of the superordinate category labels was listed as “types of restaurants.” Within this

superordinate category, basic-level members included Japanese, Italian, Pizza, Fast-Food, etc. Similarly, a subordinate product category chosen for evaluation was “airliners.” Within this category, members included Delta, United, Continental, etc. Upon assessment of subject responses, it was noted by these researchers that there existed a strong and significant correlation between family resemblance and typicality in product categories. Thus, it was concluded that perceptions of product/brand typicality were related to the possession of shared attributes (Loken and Ward 1990).

In a similar vein, the model of feature-similarity developed by Tversky (1977) was also considered. As previously explicated, this model argues that typicality is positively related to the number of shared attributes possessed by an object, but inversely related to the number of distinctive attributes two objects possess. Considering this model in the context of marketing, Loken and Ward (1990) make a strong argument for considering both distinctive as well as common product attributes in judgments of typicality. Specifically, these researchers argue that marketers often attempt to differentiate their products by touting those attributes *not* possessed by the competition. Thus, distinctive features may make a product appear both atypical and unique. Additionally, many marketers find it advantageous to urge consumers to consider both common and distinctive attributes prior to making a purchase decision (Loken and Ward 1990). Thus, upon assessment of subject responses, it was determined that common attributes were positively and significantly related to typicality in product categories. Additionally, distinctive attributes were identified as being negatively related to typicality in product categories, although this relationship was not found to be statistically significant.

One additional determinant of typicality considered by Loken and Ward (1990) is the degree to which a product or brand possesses salient attributes related to the goals or uses of the category. In other words, salient product

attributes are defined as those that consumers perceive as being relevant to fulfilling the consumer-related goals promised by use of a category. According to these researchers, perceptions of product typicality are directly influenced by the extent to which a product possesses the requisite goal-relevant attributes (Barsalou 1985; Loken and Ward 1990). Furthermore, attribute salience is considered most instrumental in influencing typicality assessments of products evaluated at basic and subordinate categorical levels of abstraction.

Therefore, based on the findings presented above, coupled with earlier evidence that pointed to male/female differences on the “width” dimension of category structure, it is suggested by this research that perceptions of product typicality will likewise be mediated by the gender of the perceiver. Specifically, support for this supposition is based on the notion that males tend to perceive and organize information in a highly broad-based fashion. As previously indicated, males tend to define category membership based on broad, salient, over-arching characteristics. Consequently, it is believed that male category structures will tend to possess more members that are perceived as similar to one another based on the ability of members to meet the minimum criteria necessary to qualify for category membership. In other words, upon encountering a basic or subordinate-level category, it is anticipated that males will perceive more members as being prototypical of the category if they possess the minimum number of salient attributes required for category membership. Thus, it is suggested that males’ typicality judgments of various products within a category will be closely aligned with one another (i.e., less dispersed). Additionally, it is also hypothesized that males will attend more to elements of commonality between category members than items of distinction in assessments of product typicality.

In the opposite vein, females have been shown to organize information along highly detailed lines of distinction. Thus, upon encountering a basic or subordinate-level category, it is

anticipated that for a given list of potential category members, females will perceive more members as being less prototypical of the category than males. In other words, because females are believed to possess category structures that are highly restrictive and less inclusive, judgments of typicality will be more dispersed within a given category (at a specified level of abstraction) than those exhibited by males. Consequently, it also hypothesized that females will attend to both elements of commonality and elements of distinction in assessments of product typicality. Thus, the following is suggested:

Hypothesis 1: Overall, males will report higher typicality scores than females.

Hypothesis 2: Overall, males will exhibit less dispersion in their typicality scores than females.

Hypothesis 3: Males’ typicality scores, as compared with females’ typicality scores, will be more positively related to the number of focal/salient attributes that two product category members share in common with one another.

Hypothesis 4: Females’ typicality scores, as compared with males’ typicality scores, will be more negatively related to the number of distinct attributes that are held by one member as compared to another.

METHOD

Subjects

Participants in this study consisted of 119 college students (57 males and 62 females) enrolled in undergraduate business courses at a large Midwestern university. Subjects participating in this study were given the opportunity to sign up for one of 35 experimental sessions that spanned the course of two consecutive weeks. Sessions were offered each day of the week and at multiple times during the day. A typical session averaged between four and six participants with

roughly an equal number of males and females in each session.

Design

Adopting a procedure outlined by Loken and Ward (1990), male and female subjects were instructed to complete a subset of measures involving typicality, attitude, and family resemblance for five different subordinate-level product categories that were derived from a single basic-level category (i.e., restaurant chains). According to Loken and Ward (1990), the overall correlations between global attitude, typicality, and other measures tend to be higher in the subordinate product categories than in the superordinate product categories. Thus, in order to effectively capture the effects of gender, five different subordinate-level product categories (i.e., pizza chains, sandwich chains, family chains, chicken chains, and dinner house chains) were selected for inclusion into the present study. Specifically, stimuli consisted of seven different category members (i.e., brands) that were chosen for each of the five subordinate-level product categories referenced above.

Stimuli Selection - (Pretests)

The process of selecting experimental stimuli involved several different steps. One of the first considerations made with respect to stimuli selection was the superordinate product domain from which category members (i.e., brands) would ultimately be selected. The primary objective in locating a suitable domain was to identify one where males and females had approximately equivalent (above average) levels of knowledge and experience. Pretest results (based on a 7-point scale with 1= not at all knowledgeable/familiar to 7 = very knowledgeable/familiar) revealed that the restaurant chain product domain, versus various other domains (e.g., candy, hotels/motels, newspapers/magazines, television shows, computer software, etc.) possessed the smallest mean difference in knowledge/familiarity between males and females ($M_{\text{males}} = 4.83$ versus $M_{\text{females}} = 4.62$; $t(72) = 1.14$; $p = n.s.$).

Furthermore, this product domain also yielded fairly similar (and small) standard deviations within the male and female portions of this sample ($SD_{\text{males}} = .766$ versus $SD_{\text{females}} = .752$).

In order to ascertain how the restaurant chain product domain was segregated, the June issue of *Nation's Restaurant News* (Liddle 2004) was consulted. In this issue, a study of the “Top 100 Restaurant Chains” was delineated. According to a definition provided by this publication, a chain is defined as the “brand name of the restaurants, hotels, contract foodservice systems, retail stores, or other entities in a multiunit organization, as identified by its signs, logotypes and trademarks” (Liddle 2004, p.3).

Based on the methodology employed by *Nation's Restaurant News* (Liddle 2004), restaurant chains were ranked according to a combination of factors including total sales, sales per unit, sales growth, market share, etc. More importantly, however, rankings for various chains were designated based on restaurant “concept.” According to the authors of this publication, “concept” is defined as the “type of restaurant or foodservice operation run by the chain, as defined generically by its food type, service style, retail context, and operating format.” Additionally, most restaurant chain “concepts” are considered self-defining and are typically categorized on the basis of the National Restaurant Association's (NRA) traditional parameters. Thus, in an effort to select the stimuli that would be used for the current study, five restaurant chain concepts (i.e., subordinate-level product categories), as defined by *Nation's Restaurant News* (Liddle, 2004), were extracted. These five categories included pizza chains, sandwich chains, family chains, chicken chains, and dinner house chains. Although all five categories are fairly self-explanatory, it should be noted that dinner house chains and family chains are defined as such, and distinguished from one another, on the basis of their generally dissimilar price point ranges, and by the fact that most dinner houses have full bar operations but do not serve

breakfast, whereas most family chains do not have bars, but do serve breakfast.

Thus, upon identifying five subordinate-level categories within the restaurant chain product domain, the next step in selecting stimuli (i.e., category members) for this study entailed following a procedure similar to the one outlined by Loken and Ward (1987). Specifically, production norms were obtained by asking 75 pretest subjects (38 males and 37 females) to name between five and ten restaurant chains that they associated with each of the five subordinate-level category designations (i.e., pizza chains, sandwich chains, family chains, chicken chains, and dinner house chains). Next, a separate set of 62 pretest subjects (30 males and 32 females) were instructed to rate all brands listed in the production norms with respect to whether they were “familiar” or “not familiar” with the category member. All brands that received a score of 70 percent or better reporting “familiar” were rank-ordered by production norms (i.e., frequency of mention in the original production norm data). Finally, a systematic sampling of the remaining items was instituted in order to achieve a range of typicality. The culmination of this process was a list of seven category members (i.e., brands) for each of the five subordinate-level categories.

As an aside, additional testing was done to verify that the brands chosen for inclusion into this study shared a number of important attributes (as defined by the National Restaurant Association) with one another, but also differed on a host of other dimensions. Furthermore, a separate set of pretest subjects also confirmed that the genders did not significantly differ in their knowledge/familiarity of the selected category exemplars.

Dependent Measures

Similar to the method employed by Loken and Ward (1990), global typicality was assessed via three different scales: exemplar goodness (10-point scale), typicality (5-point scale), and representativeness (10-point scale). Thus, a

single measure of global typicality was obtained by standardizing, summing, and averaging scores on all three measures (across individual respondents).

Furthermore, in order to assess the influence of common and distinct attributes utilized by males and females in judgments of typicality, procedures utilized to ascertain feature similarity (under the attribute-sharing perspective) were modified to fit the requirements of the present study (Rosch and Mervis 1975; Tversky 1977). Thus, for every pair of restaurant chain brands, the number of attributes that both possessed (i.e., the number of common attributes) was counted along with the number of attributes that were possessed by one brand but not by the other (i.e., the number of distinct attributes). As will be described shortly, correlation analyses were run on this data in order to ascertain if males and females accorded different weights to common versus distinct attribute information in their typicality assessments.

A final measure that was administered was an assessment of consumer knowledge/familiarity with the restaurant chain product domain and individual category exemplars. Subjective knowledge and familiarity of the restaurant chain product domain were assessed using the two-item scale employed by Johnson and Russo (1984).

RESULTS

In evaluating the typicality data statistically, a one-way multivariate analysis of variance (MANOVA) was conducted in which five measures of interest (i.e., overall typicality score pizza chain domain, overall typicality score sandwich chain domain, overall typicality score family chain domain, overall typicality score chicken chain domain, and overall typicality score dinner chain domain) were analyzed simultaneously as a function of gender. The analysis revealed a highly significant main effect of gender. Specifically, males and females perceived differences in brand typicality (Hotelling's $T^2 = 41.19$; $p <$

.001) regardless of the product domain being evaluated. To further substantiate these results, supplementary analyses of each dependent variable were conducted. As expected, these univariate analyses support the MANOVA results presented above. Specifically, males and females produced different typicality scores in the pizza chain domain ($M_{\text{males}} = .852$ versus $M_{\text{females}} = .679$; $F = 145.85$; $p < .001$); in the sandwich chain domain ($M_{\text{males}} = .810$ versus $M_{\text{females}} = .665$; $F = 72.66$; $p < .01$); in the family chain domain ($M_{\text{males}} = .871$ versus $M_{\text{females}} = .722$; $F = 54.73$; $p < .001$); in the chicken chain domain ($M_{\text{males}} = .886$ versus $M_{\text{females}} = .671$; $F = 132.97$; $p < .001$); and in the dinner chain domain ($M_{\text{males}} = .869$ versus $M_{\text{females}} = .718$; $F = 83.95$; $p < .001$).

In addition to producing higher “overall” mean typicality scores, males also displayed *less* dispersion in their scores than females. This was true for the pizza chain domain ($SD_{\text{males}} = .067$ versus $SD_{\text{females}} = .087$); the sandwich chain domain ($SD_{\text{males}} = .087$ versus $SD_{\text{females}} = .097$); the family chain domain ($SD_{\text{males}} = .098$ versus $SD_{\text{females}} = .119$); the chicken chain domain ($SD_{\text{males}} = .065$ versus $SD_{\text{females}} = .125$); and the dinner chain domain ($SD_{\text{males}} = .069$ versus $SD_{\text{females}} = .104$). Thus, the implication of these results is that males tended to view more brands as being prototypical of their respective domains than female, (by virtue of higher “overall” mean scores), as well as more similar to one another (by virtue of less dispersion in their scores). Thus, based on this analysis, there exists preliminary evidence to suggest that males and females differ on the “width” dimension of category structure.

However, in addition to gender differences at the level of the product domain, it is also important to consider how males and females approached the typicality rating process. Specifically, a primary objective of this research was to gain an understanding of the informational content that males and females employed in assigning typicality scores. Thus, as previously explicated, five category members (i.e., brands) were selected from a product category that subsists at a subordinate

level of abstraction (i.e., dinner chain restaurants). The five restaurant chains chosen for inclusion into the present study were selected based on pretest results that revealed that these brands represented a range of typicality within the dinner chain product category. Furthermore, the diner chain domain was chosen over the other four product domains (e.g., pizza chain domain, chicken chain domain, etc.) because its members share a significant number of common attributes with one another but also differ on a host of other dimensions. The five category members selected include: TGI Friday’s (TGI), Ground Round (GR), Chi-Chi’s (CHI), Damon’s (DAM) and Cooker’s (COK).

Thus, in an attempt to ascertain if gender differences exist on the horizontal dimension of category structure, subjects were asked to list the attributes or characteristics that they thought “best” described each of the five brands. Based on this procedure, data analysis consisted of evaluating the typicality scores as well as the number of common, distinct, and total attributes that were extracted by subject for each pair of restaurants. Consequently, there were a total of ten stimulus pairs that were analyzed across individual subject. These included: (Pair #1 (TGI/GR), Pair #2 (TGI/CHI), Pair #3 (TGI/DAM), Pair #4 (TGI/COK), Pair #5 (GR/CHI), Pair #6 (GR/DAM), Pair #7 (GR/COK), Pair #8 (CHI/DAM), Pair #9 (CHI/COK), and Pair #10 (DAM/COK). Based on this exercise, it was posited that males would identify a greater number of common attributes (per stimulus pair), than females. In the opposite vein, it was also argued that females would list a greater number of distinct attributes, (per stimulus pair) than males. As confirmed by data analysis, males were highly inclined to list a larger number of shared attributes, (per stimulus pair), than females ($M_{\text{males}} = 1.56$ versus $M_{\text{females}} = 0.48$; $t(105) = 11.23$; $p < .001$). On the other hand, females produced more distinct attributes (per stimulus pair) than males ($M_{\text{females}} = 7.13$ versus $M_{\text{males}} = 5.13$; $t(105) = 6.03$; $p < .001$).

Additionally, it was hypothesized that males’ typicality scores, as compared with females’ typicality scores, would be more positively related to the number of focal/salient attributes that two brand members share in common with one another. To test this hypothesis, the correlation coefficient obtained from relating the absolute difference score between typicality measures and the number of common attributes per stimulus pair was utilized. According to the above, it is expected that males will show stronger negative correlations than females indicating smaller differences between typicality scores and a strong relationship between typicality judgments and the number of common attributes listed per stimulus pair. As anticipated, data analysis revealed that in eight out of ten correlations, the number of common attributes listed per stimulus pair was more strongly related to males’ judgments of typicality than it was to females’ judgments of typicality (reference Table 1). In other words, not only did males supply a greater number of common attributes per stimulus pair than females, but there also appears to be a more significant relationship between the number of common attributes reported by males and their judgments of “perceived” brand similarity (i.e., typicality).

Finally, it was also hypothesized that females’ typicality scores, as compared with males’ typicality scores, would be more negatively related to the number of distinct attributes that are held by one member as compared to another. Justification for this hypothesis was based on the idea that females’ cognitive structures are highly exclusive and tend to be organized along subtle lines of attribute distinctions. In the opposite vein, males are believed to possess cognitive structures that are highly inclusive and broadly defined. Thus, their category structures tend to be organized around a few, highly salient attributes that are held in common by most members belonging to a broad product category. Based on these gender variations in cognitive construction, it is posited that these differences will be reflected in the relationship between perceptions of brand similarity (i.e., typicality) and the number of

TABLE 1
Correlation Analysis Between Stimulus Pair
Typicality Scores and Number of Common Attributes
 MALE vs. FEMALE (n=119)

<u>Stimulus Pairs</u>	<u>Typicality Scores</u> (Absolute Difference) <u>Mean</u>	<u># Common</u> <u>Attributes</u> <u>Mean</u>	<u>Pearson's r</u>	<u>p-value</u>
Pair #1 (TGI₁/GR₂)				
Males	1.18	1.85	-.337	.006**
Females	2.69	0.48	-.254	.025**
M vs. F (<i>abs. diff.</i>)	(1.51)	(1.37)	(.083)	
Pair #2 (TGI₁/CHI₂)				
Males	1.18	1.77	-.258	.026**
Females	2.05	0.74	-.150	.122
M vs. F (<i>abs. diff.</i>)	(0.87)	(1.03)	(.108)	
Pair #3 (TGI₁/DAM₂)				
Males	0.77	1.71	-.230	.044**
Females	1.79	0.72	-.228	.038**
M vs. F (<i>abs. diff.</i>)	(1.02)	(0.99)	(.002)	
Pair #4 (TGI₁/COK₂)				
Males	0.91	1.59	-.227	.050**
Females	2.13	0.73	-.228	.041**
M vs. F (<i>abs. diff.</i>)	(1.22)	(0.86)	(.001)	
Pair #5 (GR₁/CHI₂)				
Males	1.30	1.22	-.199	.072*
Females	2.16	0.27	-.180	.084*
M vs. F (<i>abs. diff.</i>)	(0.86)	(0.95)	(.019)	
Pair #6 (GR₁/DAM₂)				
Males	1.35	1.46	-.229	.048**
Females	2.74	0.44	-.224	.044**
M vs. F (<i>abs. diff.</i>)	(1.39)	(1.02)	(.005)	
Pair #7 (GR₁/COK₂)				
Males	1.35	1.63	-.265	.029**
Females	2.66	0.37	-.231	.042**
M vs. F (<i>abs. diff.</i>)	(1.31)	(1.26)	(.034)	
Pair #8 (CHI₁/DAM₂)				
Males	1.04	1.39	-.123	.183
Females	2.06	0.33	-.150	.125
M vs. F (<i>abs. diff.</i>)	(1.02)	(1.06)	(.027)	
Pair #9 (CHI₁/COK₂)				
Males	1.14	1.06	-.033	.407
Females	2.44	0.24	.024	.428
M vs. F (<i>abs. diff.</i>)	(1.30)	(.820)	(.057)	
Pair #10 (DAM₁/COK₂)				
Males	0.67	1.94	-.344	.006**
Females	2.69	.48	-.254	.085*
M vs. F (<i>abs. diff.</i>)	(1.38)	(1.53)	(.161)	

distinct attributes listed by men versus women. As anticipated, data analysis revealed that for each stimulus pair, the mean number of distinct attributes listed by females far exceeded that supplied by males. An independent sample t-test performed on the “number of distinct attributes/per stimulus pair” also supports this claim ($M_{\text{males}} = 5.13$ versus $M_{\text{females}} = 7.13$; $t(105) = 6.03$; $p < .001$). Additionally, the other piece of data used to test this hypothesis was the correlation coefficient obtained from relating the absolute difference score between typicality measures and the number of distinct attributes/per stimulus pair. Based on that presented above, it is expected that females will yield stronger, more positive correlations than males. This result would indicate that females took into consideration a larger number of distinct attributes in their brand typicality assignments. Thus, as expected, data analysis revealed that in nine out of ten correlations, the number of distinct attributes listed per stimulus pair was more strongly (and positively) related to females’ absolute difference scores than it was to males’ absolute difference scores (reference Table 2). Consequently, not only did females supply a greater number of distinct attributes per stimulus pair than males, but there also appears to be a more significant (negative) relationship between the number of distinct attributes reported by females, versus males, and their judgments of perceived brand similarity (i.e., typicality).

DISCUSSION AND IMPLICATIONS

To conclude, this study presents an initial attempt to investigate gender differences in cognitive structure composition. Specifically, empirical testing on the internal (i.e., “width”) dimension of category structure provides some preliminary evidence to suggest that viable gender differences exist. As a result of this finding, there are likely to be significant marketing implications for how males and females build consideration sets and how decisions are made amongst product/brand alternatives during processes of choice. For example, by integrating the findings of the current study with the area of brand recall, it

appears intuitive that males and females would yield very different consideration sets when confronted with an identical problem situation. Specifically, because females produce category member similarity assessments that are highly dispersed and based on subtle attribute distinctions, it is anticipated that they will evoke a very precise consideration set that is comprised of brands specifically geared toward solving the problem at hand. Conversely, because males possess less dispersed category structures that contain members who share a limited set of highly salient attributes, it is expected that their consideration sets will contain a number of very disparate brands. Thus, males’ consideration sets may be relatively inferior to that produced by females with respect to solving a very specific problem.

Perhaps one of the most significant implications of these research findings concerns the manner in which marketers position their products or brands in the marketplace. As defined by Perreault and McCarthy (1999), positioning refers to consumers’ perceptions of a specific product/brand relative to other “similar” product/brands in the marketplace. Thus, product-positioning strategies require a realistic conception of how consumers view various brands in the marketplace as well as how the marketing manager desires target consumers to think of his/her brand. Product positioning strategies become increasingly important in environments characterized as “monopolistic” where there are many brands in the marketplace that consumers perceive as being close substitutes for one another. Consequently, in such a market environment, it becomes imperative that the marketing manager differentiate his/her brand in the minds of target consumers. This entails an intimate understanding of the dimensions/attributes that are important to consumers so that a marketing mix (perceived as need-satisfying in ways that are both different and better than that offered by the competition) can be designed.

Thus, with respect to the current research study, several important points are made. First, based on gender differences in cognitive makeup, the

TABLE 2
Correlation Analysis Between Stimulus Pair Typicality Scores and
Number of Distinct Attributes
 MALE vs. FEMALE (n=119)

Stimulus Pairs	Typicality Scores (Absolute Difference) <i>Mean</i>	# Distinct Attributes <i>Mean</i>	Pearson's r	p-value
Pair #1 (TGI₁/GR₂)				
Males	1.18	4.76	.007	.480
Females	2.69	7.43	.240	.033**
M vs. F (<i>abs. diff.</i>)	(1.51)	(2.67)	(.233)	
Pair #2 (TGI₁/CHI₂)				
Males	1.18	5.14	.001	.497
Females	2.05	7.37	.168	.096 [†]
M vs. F (<i>abs. diff.</i>)	(0.87)	(2.23)	(.167)	
Pair #3 (TGI₁/DAM₂)				
Males	0.77	5.07	.019	.212
Females	1.79	6.84	.236	.033**
M vs. F (<i>abs. diff.</i>)	(1.02)	(1.77)	(.217)	
Pair #4 (TGI₁/COK₂)				
Males	0.91	4.78	.159	.125
Females	2.13	6.51	.296	.011**
M vs. F (<i>abs. diff.</i>)	(1.22)	(1.73)	(.137)	
Pair #5 (GR₁/CHI₂)				
Males	1.30	5.36	.067	.314
Females	2.16	6.30	.278	.016**
M vs. F (<i>abs. diff.</i>)	(0.86)	(0.94)	(.211)	
Pair #6 (GR₁/DAM₂)				
Males	1.35	5.52	.151	.138
Females	2.74	7.25	.200	.064 [†]
M vs. F (<i>abs. diff.</i>)	(1.39)	(1.73)	(.049)	
Pair #7 (GR₁/COK₂)				
Males	1.35	4.71	.046	.373
Females	2.66	7.07	.066	.314
M vs. F (<i>abs. diff.</i>)	(1.31)	(2.36)	(.020)	
Pair #8 (CHI₁/DAM₂)				
Males	1.04	5.38	.083	.272
Females	2.06	7.75	.136	.148
M vs. F (<i>abs. diff.</i>)	(1.02)	(2.37)	(.053)	
Pair #9 (CHI₁/COK₂)				
Males	1.14	5.37	-.175	.102
Females	2.44	7.20	.184	.081 [†]
M vs. F (<i>abs. diff.</i>)	(1.30)	(.820)	(.057)	
Pair #10 (DAM₁/COK₂)				
Males	0.67	4.66	.259	.303
Females	2.05	7.55	.239	.035**
M vs. F (<i>abs. diff.</i>)	(1.38)	(2.89)	(.020)	

manner in which males and females conceive of various products in the marketplace is apt to be quite different from one another. Specifically, because males are inclined to aggregate products/brands based on a few, key, category-defining characteristics, they are likely to lump numerous (potentially disparate) brands under a single category label. As a result, all marketing efforts may be lost if a brand is perceived by a male as being virtually substitutable for another brand. Thus, one way marketers can circumvent such an occurrence is by identifying those category-defining dimensions that are most important and salient to target male consumers. Once these key characteristics have been identified, marked differentiation on one or more of these dimensions should be endeavored. Furthermore, this differentiation should be blatant to the degree to which it permeates all facets of marketing planning strategy. Consequently, by adopting this procedure, it is anticipated that males would be more apt to conceive of the brand as different from other offerings in the marketplace.

In the opposite vein, it has been demonstrated that women are inclined to aggregate brands according to subtle attribute distinctions. Consequently, it is expected that females would take note of subtle nuances between brands and categorize them accordingly. Thus, marketing initiatives aimed at differentiation along several dimensions of the marketing mix could prove to be highly beneficial. In other words, an effective differentiation strategy should yield a brand that females do not perceive as having a significant number of direct competitors. The end result of such a strategy is a brand that females perceive as belonging to a “class unto itself.” Thus, marketing efforts directed at females should not only focus on elements of differentiation, but also on how the differentiated dimensions deliver superior customer value with respect to the need-satisfying benefits they provide. If marketers do not attempt to elaborate on how the differentiated dimensions provide value, females may not even consider the subcategory that the brand resides in during processes of decision-making.

STUDY LIMITATIONS

As with any similar research undertaking, limitations may compromise the generalizability of the study’s results. Thus, with respect to the present study, the “restaurant chain” product domain was selected on the basis that males and females possessed equivalent (moderate to high) levels of knowledge about this superordinate product category. Furthermore, in addition to similar bases of knowledge, men and women also indicated that they were equally familiar with numerous brands in this product domain. In the “real world,” however, there are probably very few product categories that would yield approximately equivalent levels of knowledge and familiarity between males and females. Furthermore, many product categories are likely to produce a significant amount of variation on these variables within male and female target populations.

FUTURE RESEARCH

In conclusion, although numerous researchers have studied physical differences in the male and female brains as well as gender differences in information processing, little attention has been directed to connecting these two lines of scientific inquiry. As a result, the contribution of this research is the development of a rudimentary framework that attempts to link gender differences in processing to differences in the creation and utilization of knowledge structures. Future research efforts should endeavor to tap the measurement of categorical structures using both different properties of category construction as well as different methodologies. For example, in addition to category width, the depth dimension of category construction should also be investigated and measured. Furthermore, considerable insight might be gained by explicitly linking gender differences in categorical structure to differences in the proclivity to employ a particular processing strategy.

REFERENCES

- Barsalou, Lawrence (1985), “Ideals, Central Tendency, and Frequency of Instantiation as Determinants of Graded Structure in Categories,” *Journal of Experimental Psychology: Learning, Memory, and Cognition*, 11(4), 629-654.
- Bem, Sandra (1981), “Gender Schema Theory: A Cognitive Account of Sex Typing,” *Psychological Review*, 88(4), 354-364.
- Block, Jack and Jeanne Block (1973), “Ego Development and the Provenance of Thought,” *NIMH Progress Report (Grant No. M.H. 16080)*, University of California, Berkeley, CA.
- Blum, Deborah (1997), *Sex on the Brain*, New York: Viking Penguin.
- Glixman, Alfred (1965), “Categorizing Behavior as a Function of Meaning Domain,” *Journal of Personality and Social Psychology*, 2(1), 370-377.
- Grabe, Maria and Rasha Kamhawi (2006), “Hardwired for Negative News? Gender Differences in Processing Broadcast News,” *Communication Research*, 33(5), 346-369.
- Hansen, Flemming (1981), “Hemispherical Lateralization: Implications for Understanding Consumer Behavior,” *Journal of Consumer Research*, 8(June), 23-36.
- Johnson, Eric and Edward Russo (1984), “Product Familiarity and Learning New Information,” *Journal of Consumer Research*, 11(June), 542-550.
- Liddle, Alan J. (2004), “Top 100 Restaurant Chains Ranked by U.S. Systemwide Foodservice Sales,” *Nation’s Restaurant News*, June 28, 3-15.
- Loken, Barbara and James Ward (1987), “Measures of Attribute Structure Underlying Product Typicality,” in *Advances in Consumer Research*, 14, eds. Melanie Wallendorf and Paul Anderson, Provo, UT: Association for Consumer Research, 22-26.
- _____ and _____ (1990), “Alternative Approaches to Understanding the Determinants of Typicality,” *Journal of Consumer Research*, 17(September), 111-126.
- Mervis, Carolyn and Eleanor Rosch (1981), “Categorization of Natural Objects,” *Annual Review of Psychology*, 32(1), 89-115.
- Meyers-Levy, Joan (1986), “Gender Differences in Information Processing: A Selectivity Interpretation,” *unpublished doctoral dissertation*, Marketing Department, Northwestern University, Evanston, IL.
- _____ and Durairaj Maheswaran (1991), “Exploring Differences in Males’ and Females’ Processing Strategies,” *Journal of Consumer Research*, 18(1), 63-71.
- Moir, Anne and David Jessel (1991), *Brain Sex: The Real Difference Between Men and Women*, 2nd Edition. New York: Dell Publishing.
- Pease, Alan and Barbara Pease (2000), *Why Men Don’t Listen and Women Can’t Read Maps*, NY: Welcome Rain Publishers.
- Perreault, William and Jerome McCarthy (1999), *Basic Marketing: A Global-Managerial Approach*, New York, NY: Irwin McGraw-Hill.
- Pettigrew, Thomas (1958), “The Measurement and Correlates of Category Width as a Cognitive Variable,” *Journal of Personality*, 26(4), 532-545.
- Pincock, Stephen (2006), “Grey Matters: Male and Female Brains are Different- But Does That Affect Women’s Success in Science?” *The Financial Times*- “Science Matters”, (October), 33-38.
- Pino, Krista (2005), “New Mexico Study Finds Male, Female Brains Differ,” *Daily Lobo*, (January), 7-10.
- Poole, Millicent (1982), “Social Class-Sex Contrasts in Patterns of Cognitive Style: A Cross-Cultural Replication,” *Psychological Reports*, 50(1), 19-26.
- Rosch, Eleanor (1975), “Cognitive Representations of Semantic Categories,” *Journal of Experimental Psychology: General*, 104(September), 192-233.
- _____ (1978), “Principles of Categorization,” in *Cognition and Categorization*, eds. Eleanor Rosch and Barbara Lloyd, Hillsdale, NJ: Erlbaum, 27-48.

- _____ and Carolyn Mervis (1975), “Family Resemblances: Studies in the Internal Structure of Categories,” *Cognitive Psychology*, 7(4), 573-605.
- Tversky, Amos (1977), “Features of Similarity,” *Psychological Review*, 84(1), 327-352.
- _____ and Itamar Gati (1978), “Studies of Similarity,” in *On the Nature and Principle of Formation of Categories*, eds. E. Rosch and B. Lloyd, Hillsdale, NJ: Erlbaum.
- Vasich, Tom (2005), “Intelligence in Men and Women is a Gray and White Matter,” (accessed October 2, 2005), [available at http://today.uci.edu/news/release_detail.asp?key=1261].
- Wallach, Michael and Albert J. Caron (1959), “Attribute Criteriality and Sex-Linked Conservatism as Determinants of Psychological Similarity,” *Journal of Abnormal and Social Psychology*, 59 (1), 43-50.

BRANDING IN THE GLOBAL ARENA: THE ROLE OF CULTURE

DALE KRUEGER, Missouri Western State University

SHIVA NANDAN, Missouri Western State University

Unprecedented globalization fostered by continued and substantial increases in international trade and in global communication has created tremendous opportunities for companies to extend their influence beyond domestic and regional markets. In this paper we discuss the role of branding in a company's global strategy. In order to emphasize the importance of culture in international marketing we have highlighted some examples in the Indian and Chinese contexts. In addition, we identify key issues with respect to culture and branding that need to be taken into account by successful global companies.

INTRODUCTION

The exact meaning of the term “globalization” may be open to debate (Shenkar and Yadong 2003), but the profound influence of this phenomenon and its far-reaching impact on business and marketing cannot be denied. Terms such as business process outsourcing, developing economies, emerging markets, strategic global alliances, and the global village have become commonplace in the business vocabulary. The global economy offers new and exciting ways for companies to extend their influence beyond domestic and regional markets. In order to compete successfully in the global arena, a firm has to develop a strong branding strategy that is consistent with the cultural traditions of the country in which it operates. In this paper we discuss the role of branding in a company's global strategy. Further, in order to emphasize the importance of culture in international marketing we have highlighted some examples in the Indian and Chinese context. The rise of India and China as potential economic powers has been well documented in academic and trade journals as well as in the popular press (Friedman 2005; Engardio 2006; Kriplani 2006; Zakaria 2006; Lakshman 2006). With well over a billion people in each of these countries (1.6 billion in China and 1.2 billion in India) and the rapidly

growing affluence of the upper and middle classes, both India and China are rapidly becoming important markets for global companies. Finally, we identify key issues with respect to culture and branding that need to be taken into account by successful global companies.

BRANDING IN THE GLOBAL CONTEXT

A powerful brand is a key asset in a company's global market strategy (Khermouch, Holmes and Ihlwan 2001). One of the most important assets that a firm can have is a well-recognized brand. Brands such as Starbucks, Intel, eBay, Toyota and Disney are able to maintain a strong presence globally, because they have been successful in developing certain images and associations in the consumers' minds. Recently, Volkswagen reverted to a 1970's brand in an attempt to increase sales. The Golf hatchback is now the Rabbit, and sales have jumped 89 percent (Kiley 2007). Similarly, Ford Motor Company brought back the Ford Taurus brand to encourage sales growth.

It is imperative for global companies to develop products that have a unique identity and image that (i) is perceived to be providing benefits that meet the core needs of their customers and (ii) differentiates them from existing and potential competitors. The impact of culture on the global branding strategy of a company cannot be minimized (Ronen 1986). Because of the

growth of international trade and globalization, marketing strategies of many companies have expanded from a national focus to an international perspective using either a global approach or a multinational approach. A global strategy permits a business to produce the same product across different countries and different cultures using the same production function. This global strategy permits firms to have a unified competitive advantage based on efficiencies in new product development, research and development, economies of scale, work force flexibility, and skill transfer (Barron and Hollingshead 2004). To maintain this global competitive advantage the marketing mix across borders needs to change to adapt to the different customs, different buying habits, and different demographic segments within a country.

Whether a company adopts a global strategy or multinational strategy depends on developing a successful marketing mix that aligns with the country's culture. Brand identification and image becomes important. Branding is an intangible asset that can increase a firm's value (Deagon 2002) and enables a firm to communicate an identity and image about a product or service (Fonbrum 1996) to generate a level of consumer acceptance. However, consumer awareness and acceptance varies from country to country. Recently, Wal-Mart withdrew from Germany and Tesco from Ireland. Both companies were successful in their home countries and in other international endeavors, but failed to succeed in dealing with the German and Irish cultures. The products or services provided by these companies did not differ, but the competitive brand images of both companies did not promote consumer acceptance.

Consumer acceptance depends on brand image, which is a "set of beliefs about a particular brand" product line, and company that separates the brand from its competition (Kotler 1988). A brand communicates an overall character or personality that for the consumer is more important than the technical aspects of the company, the product line, the product or the

service. It can be a name, mark, slogan, mascot, symbol, or trademark that communicates an identity-image and linkage to the consumer.

A globalization strategy assumes the brand identity-image linkage doesn't change from country to country, which means the four Ps-product, promotion, price, and place-do not vary significantly from country to country and from culture to culture. For example, the benefits of well known drugs easily cross countries and cultures without any marketing mix barriers, but many products and services require a multi-national strategy or a local segmented strategy, which means the values, customs, traditions, rules, regulations and the buying habits across and within countries can vary. These variations are not unusual because there are no universal values, and guidelines that differ from country to country or from culture to culture despite the many communication avenues provided by modern technology.

CULTURAL DIMENSIONS AND BRANDING

According to Whitely and England (1977) culture is defined as "the knowledge, beliefs, art, law, morals, customs and other capabilities of one group distinguishing it from other groups" (Shenkar and Yadong 2003). A culture represents shared values that collectively provides the social glue that holds the culture together (Warner and Joynt 2002), but cultures vary from country to country and within each country. Each culture has different boundaries and standards. These boundaries serve as different control mechanisms and govern different acceptable and unacceptable behaviors among and between cultures. What is acceptable in one culture may well not be accepted in another culture. For example, different symbols can represent different values and denote different interpretations, which in turn foster different levels of commitment and perception within each culture. For example, the African consumer interpreted the Gerber

baby label, as meaning that the jar contained babies.

Branding and establishing a marketing image requires cultural knowledge. For example, in Turkey the Turkcell mobile phone Company uses a cartoon animal as a logo and emblem. It is called a snabbit. It is a cross between a snail and a rabbit with an antenna (Greenfield 2006). It represents a unique brand identification and cultural linkage that represents energy, dynamism and uniqueness in the communication industry. Because the cell phone market includes families, the company expanded the one character to a family of characters. Each family member has a name with different personality characteristics. Cello-O represents the father, who is pictured as a technophile, joker, and visionary whereas his wife Celly is cautious, economical, and an excellent mother. The daughter, Cellita, exhibits a concern for the environment. She is fashion conscious and needs freedom. The son, Cell Jr., is an internet addict, and soccer enthusiast. The grandfather, Celldede, exemplifies the adventurer and philanderer, but he acts as a teenager does. These logos represent the Turkish extended family and are symbols consistent with the Hofstede's cultural collectivism (Hofstede 1983). Because these cartoon characters provide a brand identification and linkage with the Turkish collectivistic culture, Turkcell's market share is sixty percent in Turkey.

To design a successful branding identity and image linkage for each national or specific culture requires companies not to anticipate the values and attitudes shared by individuals and groups within specific countries (Nandan 2005). These shared attitudes and behaviors shape each country's behavior and beliefs about what is important (Hofstede 1983). To market a product within these various cultures requires understanding of how to involve the customer (Engeseth 2006), but each country's culture norms, language, and symbols provide a different cultural framework on how to predict customer behavior within and between

countries. For example, India's culture is extremely strong and provides significant barriers to marketing in that country. Recently, Wal-Mart has attempted to enter the market in India on a partnership basis with Bharti, an Indian retailer. This partnership allows Wal-Mart to gain access to the market in India. Without the partnership India's restrictive governmental policies prevent Wal-Mart from doing business in India. Not only does the partnership allow entry, but also the many of the invisible cultural barriers that Wal-Mart would have trouble identifying, can be avoided. By partnering with Bharti, both partners can avoid failure, promote efficiencies and at the same time develop a proper brand identification and image to insure their product lines and service are culturally relevant to the Indian consumer.

A successful example of a global brand identification and image is Singapore Airlines. The airline took their country's friendliness and made friendliness a successful company brand value on their flights.

The first global study that identifies and differentiates cultural dimensions was Hofstede's work of almost thirty years ago (Hofstede 1983). These five dimensional approaches embrace individualism versus collectivism, power distance, uncertainty avoidance, feminine versus masculine and long term versus short term. The second study began in 1993 using data from 18,000 middle managers in 62 countries and provides nine dimensions on which a national culture can be evaluated and understood (Javidan and House 2001). These more recent nine cultural dimensions include Hofstede's five dimensions and add four more dimensions: assertiveness, in-group collectivism, performance orientation and human orientation. The research of Javidan and House provides a basis for a cultural conceptual framework to analyze and understand the impact of various external cultural ramifications associated with a firm's attempt to develop a successful brand across and within cultures. Table I provides a cultural

TABLE I
Cultural Dimensions

Cultural Classifications	China	United States	Indian
Individualism or Collectivism	collective	individualistic	collective
Power Distance	high	low	high
Uncertainty Avoidance	high	low	high
Feminine or Masculine	feminine	masculine	feminine
Long-term or Short-term	Long-term	Short-term	Long-term
Assertiveness	low	high	low
In-group collectivism	high	low	high
Performance Orientation	low	high	low
Human Orientation	high	low	high

Source: Javidan and House (2001)

classification comparison between India, China, and the United States.

The cultural classifications begin with individualism versus collectivism. Individualistic cultures focus on self and the immediate family. The collectivist cultures include a social framework that includes the extended family, groups, and the organization where the members of a collectivist culture look after each other. For example, China and India have a strong collectivist culture with tremendous respect for customs, traditions, rules and regulations that developed over centuries (Melewar, Meadows, Zheng and Rickards 2004). For the Chinese and Indian cultures, group membership revolves around the extended family that includes grand parents, aunts, uncles, and cousins as well as informal friendship groups and formal organizational groupings. Both cultures take pride in belonging to this in-group collectivism, which emphasizes the feminine aspect of the culture that is concerned with others and focuses on relationships rather than assertive, direct and competitive behavior.

Over the centuries this in-group collectivism developed strong customs, traditions, informal rules and procedures to avoid risk or behavioral embarrassment. These customs and traditions explain Hofstede’s concept of uncertainty

avoidance. According to Hofstede uncertainty avoidance advocates predictable structured situations versus unstructured unpredictable situations. For example, Indian and Chinese families traditionally arranged marriages between families. These structured situations spill over into each country’s respect for authority, titles and status. This respect is consistent with the concept of Hofstede’s Power Distance, which is exemplified by the Indian and Chinese respect toward the elderly members of their society.

Despite the respect for the elders in both countries, neither culture embraces the gender differentiation dimension (Javidan and House 2001). This dimension measures the status and decision making responsibilities that women have within each culture. In the Indian and Chinese cultures the status of women and their decision-making responsibilities are historically limited. Although the Chinese equalitarian ideology focuses on society equality and individual and group relationships in China, gender status provides little decision-making autonomy for Chinese and Indian women compared to women in the United States.

The human orientation dimension by Javidan and House encourages fairness and kindness, but is difficult to evaluate. The historic Chinese ideology promotes a caring and

generous approach toward society as a whole, but this socialistic ideology focuses on society equality to promote fairness and generosity. Within the Chinese and Indian cultural systems specific individual or specific group rewards are not well developed or prevalent (Dessler 2007). Since China and India appear to be rapidly moving toward a semi-capitalistic approach to their economies, a more humanistic orientation might be developing within each country that is more in line with the more individualistic human resource approach present in western countries.

Similar to the human orientation dimension the performance-oriented dimension in China and India, where a society rewards individuals and group members for improvement, remains questionable. However, Hong Kong ranks high on the performance-orientation dimension, according to Javidan and House, because of the western influence from British rule. To enable the Indian and the Mainland Chinese to develop a more complete performance oriented system requires each country to move toward a free market economy. Since the Indian Government and the Chinese Government encourage their companies to compete on the world market, a more performance-oriented culture should develop and adapt to the international globalization trends in both countries. But the weak performance orientation present within China and India cultures has not permitted businesses within each country to more fully develop their human resource functions and marketing strategies (Dessler 2007). This lack of cultural assertiveness hinders Indian and Chinese companies, and their ability to develop a global aggressiveness strategy particularly in the marketing area, where building brand identification and image linkage can determine the success or failure of a product or service.

BRAND INTERACTION AND THE CHINESE CULTURE

To further explain the importance of the cultural impact on brand identification and the image linkage there are a number of examples that illustrates the linkage. When Mrs. Fields

cookies were introduced in Hong Kong, employees offered morsels for tasting purposes to prospective customers. Customers declined the offer. The custom in China, Korea, Taiwan, and Hong Kong did not permit individuals to pick up food that was not wrapped. Also, when doing business with customers who were not friends, the custom was to place the money exchanged on the counter as opposed to handing the change back to the customer on a hand-to-hand basis. As a result of these customs Kentucky Fried Chicken's finger licking good branding advertisement did not succeed in China.

Currently, Chinese youngsters flock to the homegrown versions of MySpace and YouTube (Einhorn 2007). For advertisers identifying the acceptable social standards and boundaries becomes risky and presents a business dilemma based on the social mores and values present in the Chinese culture and from the political rules and regulations that spring from these mores. As an example Yoqu, the Chinese MySpace or YouTube, appeals to the younger Chinese generation. However, government censorship becomes a significant hurdle. Yoqu translates as "good" and "cool". This linguistic branding is acceptable, but the Chinese Net Cops did not approve of the racy videos on the Yoqu Web. In other countries a naughty video might anger parents and certain types of groups, but in China the government censors requested the videos be immediately removed from the Web. This censorship means all content has to be reviewed before uploading to the Web site, which increases the cost and the risk of doing business. For example, 2007 was the year of the pig, and Nestle planned a TV ad depicting a smiling cartoon pig (Fairclough and Fowler 2007), but the Chinese state-run TV network banned the pig commercial. China's political agenda did not want to convey a brand image that violates Muslim religious principles. According to Muslim beliefs, the pig represents a lack of cleanliness.

THE INDIAN ENVIRONMENT

There is a great degree of diversity within India, which is only to be expected given its size and population. There are wide variations in terms of religious sects, languages and dialects, food, regional customs, and wealth. Global companies, who treat India as a monolithic entity do so at their own peril. Successful marketing in India requires a thorough knowledge of the social, cultural and economic characteristics of the Indian consumer, which means companies need to be careful about how they select target markets.

Because consumer behavior in India has undergone a remarkable shift in the last two decades, the process of economic liberalization and global integration that began in 1991 has influenced two fundamental trends: (i) Indian consumers have easy access to global brands such as Coke, Pepsi, McDonald's and IBM, (ii) India has emerged as a global outsourcing power. One manifestation of the change in consumers, especially among the middle class, is the shift from price sensitivity towards emphasis on value.

International companies desirous of conducting business in India also have to face global and local competition. According to Roy (2005), it is possible to develop globally competitive companies in almost any sector in India. In fact, India and China are emerging as low cost competitive players in knowledge based industries. This competitive spirit has been demonstrated by the success of Indian companies such as Reliance, Infosys, Tata, and Wipro. Clearly, in India an abundant supply of highly educated, English speaking professionals has been instrumental in these company success stories.

The emerging consumer sectors in India include telecom, retail, entertainment, insurance, and healthcare. The growth of these sectors and the growing affluence of a sub-segment of the middle class fuels conspicuous consumption.

BRAND INTERACTION AND THE INDIAN CULTURE

Colgate-Palmolive Company has adopted a branding strategy in India that goes beyond product attributes and labeling. For example, in India the Company's Colgate toothpaste brand builds on relationships with the consumer by emphasizing benefits of oral hygiene. To establish brand loyalty the company sponsors programs on oral health in some Indian schools (Sengupta 2006), and utilizes its web-site to foster oral hygiene solutions on a daily basis.

Disney popularized the concept of theme parks. However, to succeed in India, theme parks have to contextualize the concept to suit Indian tastes by combining popular entertainment with core spiritual values. A proposed theme park is proposed for Haridwar, which is a revered pilgrimage spot for Hindus and attracts 18 million visitors every year. In addition to high-tech rides and food courts, the theme park will feature knowledge centers about Indian spiritual heritage. This localized strategy provides popular entertainment. At the same time the project emphasizes the rich Indian cultural heritage, which increases the probability of success.

In the Indian Telecom market the Telecom companies, Nokia and Motorola, are taking advantage of the rapid growth. In just a few years India's mobile phone user base has increased exponentially from 5 million to 105 million, and the Ministry of Telecom expects 250 million connections during 2007 (Lakshman 2006). Therefore, global brands such as Nokia and Motorola are offering more feature-laden phones in the Indian market. On the one hand they are positioning their products as status symbols for the affluent urban market, and on the other hand they are providing lower-priced models to rural consumers.

To promote global brands companies are increasingly using Indian celebrities in their advertising campaigns, both in India and abroad. Movie stars such as Amitabh Bachan and Aishwarya Rai, and cricket players such as

Rahul Dravid and Sachin Tendulkar, are being used as brand ambassadors for national and international campaigns. According to Saha and Sinha (2006), some examples of this phenomenon include Japanese watchmaker Citizen, which has signed the current captain of the Indian cricket team, Rahul Dravid as its brand ambassador in India as well as in the USA. Also, Indian movie stars Abishek Bachan, Shah Rukh Khan and Aishwarya Rai are brand ambassadors for global companies Omega, Tag Heur and Longines respectively.

To adapt to cultural eating habits of the Indian population and avoid cultural violations of the Indian religious principles, fast food brands such a Pizza Hut and McDonald’s have adapted their offerings in India according to Bhan and Nemer (2006). McDonald’s has not offered its main staple of beef-based products in India for fear of offending segments of the population who may regard the cow as being sacred. The “Big Curry Mac” and “McAloo Tikki” burgers do not use beef and are very successful in India. Similarly Pizza Hut has launched “Tandoori Pizza,” which has a flavor that is more attractive to the Indian palate than American pizza.

CULTURAL AND BRANDING: KEY ISSUES FOR GLOBAL COMPANIES

As economic and political integration transpires through globalization, local and national customs, traditions, standards, and boundaries

begin to dissolve, which leads to an extremely complex diverse global environment, and provides businesses with the need and the opportunity to read, identify, and develop new cultural competence. To help companies identify these cultural patterns, segments and variances a number of concepts and questions are listed in Table II. These encourage businesses to build on the present cultural capital within countries to create new successful marketing techniques, and at the same time to prevent unsuccessful product development, promotions, pricing and distribution.

To answer some of these questions there are numerous examples that exemplify the risk and dilemmas associated with branding and different cultural implications. For example, different cultures develop less visible formal and informal rituals. In Japan formal gift giving is a widely accepted ritualistic standard of courtesy. In the United States gift giving is perceived as a bribe in business. The Japanese have a low tolerance for ambiguity and are very formal, indirect and patient in their business dealings. In contrast, the United States culture has a high tolerance for ambiguity and is informal, direct, punctual, and time oriented. These cultural differences appear superficial, but can spell the difference between successful business practices and unsuccessful business endeavors. For example, the Japanese and Korean companies have stressed the importance of branding, and as a result the Chinese

TABLE II
Cultural and Branding Issues for Global Companies

What cultural standards and boundaries are present in the country?
 Are the boundaries dependent on the values within the culture?
 What social, religious, and political values pre-dominate in the culture?
 Are there linguistic differences that can affect branding?
 How is quality perceived in each culture?
 How do the rituals and stories impact branding?
 Are there local and national attitudes that affect the branding of a product or service?
 Do subcultures and demographic segments exist within each country or culture?
 Is the culture formal or informal?
 Is the culture direct (low context) or indirect (high context)?
 Does the culture have a low or high tolerance for ambiguity?
 How is cleanliness or punctuality perceived?

perceive Japanese and Korean products as superior in quality (Ahlstrom, Nair, Young and Wang 2006).

To create a brand strategy for a single global or multi-national brand given the diversity of world cultures presents a challenge for international firms. Obtaining information about the laws and tax policies about a country doesn't require too much research. However, brand identification and image linkage becomes quite complex because most cultural patterns and cultural segments are invisible to the outsider. Over the centuries the social, religious, psychological and political values have evolved to produce different local and national values, customs, and traditions. These patterns are not easy to decode, not only for individuals within the culture, but even more so for those individuals not raised within the culture. These cultural variances on one hand provide cultural barriers for businesses and on the other hand provide a whole new set of marketing segments and opportunities for businesses to identify. However, these new marketing opportunities come with a new set of risks. Each local and national cultural segment has different values. This variation in values produces a variation in cultural capital with different customs, standards, boundaries, and symbols between and within countries. For example, low context cultures such as the United States focus on direct written agreements whereas high context cultures such as the Asian cultures focus on what is unwritten and indirectly implied (Hall 1976).

Creating well-known brands and successful marketing techniques consistent with a country's cultural dimensions represents a challenge for international firms, but is necessary for success. Branding builds customer awareness, encourages repetitive purchases, loyalty, enhances pricing power, facilitates brand extensions, promotes distributional efficiency, and provides a competitive advantage in promotional efforts. By analyzing a country's cultural framework a firm can anticipate and avoid cultural pitfalls. A company that has a globalization strategy or a

multi-national strategy should research each country's cultural dimensions, local patterns, and segments for the purpose of aligning the firm brand and image with that country's culture. This brand-image alignment enables a firm to quickly and successfully build brand equity in the global-local market place. Brand equity leads to profitability and provides a bankable asset. For example, recently Sears issued bonds solely based on the Kenmore, Craftsman and Diehard brands (Berner 2007).

REFERENCES

- Ahlstrom, David, Anil Nair, Michael Young and Linda Wang. (2006), "China: Competitive Myths and Realities," *Advanced Management Journal*, Vol. 71, pp. 4-10.
- Barron, Jennifer and Jim Hollingshead, (2004), "Brand Globally, Market Locally," *Journal of Business Strategy*, Vol. 23 No. 1, pp. 9-14.
- Berner, Robert (April 16, 2007), "The New Alchemy at Sears," *Business Week*, April 16, pp. 58-60.
- Bhan, Niti (2006), "Brand Magic in India," May, *Business Week online*, <http://www.businessweek.com/innovate/content/may2006/id200600>.
- Dessler, Gary (2007), "Expanding into China? What Foreign Employers Should Know About Human Resource Management in China Today," *Advanced Management Journal*, Vol. 71, 4, pp. 11-23.
- Deagon, Brian (2002), "Brand-building Means More Than Just Advertising a Product," *Investor's Business Daily*, April 5, A3.
- Einhorn, Bruce (2007), "China Falling Hard for Web 2.0," *Business Week*, January 15, pp. 66-67.
- Engeseth, Stefan (2006), "Tap into Culture and Customers," *Brand Strategy*, March, pp. 36-37.
- Engardio, Pete (2006), "Emerging Giants," *Business Week*, July 31, pp. 41-49.
- Fairclough, Gordon and Geoffrey Fowler, (2007), "Pigs Get the Ax in China TV Ads, in Nod to Muslims," *Wall Street Journal*, January 25, Vol. CCXLIX No. 20, D1.

- Formbrun, Charles (1996), *Reputation: Realizing Value from the Corporate Image*, Harvard Business School Press, Boston, MA.
- Friedman, Thomas L. (2005), *The World is Flat: A Brief History of the Twenty-First Century*, New York: Farrar, Straus and Giroux.
- Greenfield, Sue (2006), "Turkcell: the Only Turk on Wall Street," In Thomas Wheelen and David Hunger (10th Ed.) *Strategic Management and Business Policy*, pp.6-1-6-13, Pearson Education, Inc., Upper Saddle River, New Jersey.
- Hall, Edward (1976), *Beyond Culture*, Garden City, NY. Anchor Press.
- Hofstede, Gert (1983), "The Cultural Relativity of Organizational Practices and Theories," *Journal of International Business Studies*, Fall, pp. 75-89.
- Javidan, Mansour and Robert House (2001), "Cultural Acumen for the Global Manager: Lesson from Project Global," *Organizational Dynamics*, (Spring) pp. 289-305.
- Kiley, David and Deborah Stead (2007), "Ford Goes Back to the Future," *Business Week*, February 19, p. 11.
- Kotler, Philip (1988). *Marketing Management: Analysis, Planning and Control*, Englewood Cliffs, NJ: Prentice-Hall.
- Khermouch, Gerry, Stanley Holmes and Moon Ihlwan (2001), "The Best Global Brands," *BusinessWeek*, August 6, pp. 50-57.
- Kriplani, Manjit (2006), "Call Center? That's So 2004," *Business Week*, August 7, p. 40.
- Lakshman, Nandini (2006), "Going Mobile in Rural India," *Business Week on Line*, http://bizyahoo.com/special/brand/06_article5.html.
- Melewar, T.C., Maureen Meadows, Wenqiang Zheng and Richard Rickards (2004), "The Influence of Culture on Brand Building in the Chinese Market: a Brief Insight," *Brand Management*, July, Vol. 11, No. 6, pp. 449-471.
- Nandan, Shiva (2005), "An Exploration of the Brand Identity-brand Image Linkage: A Communications Perspective," *Brand Management*, April, Vol. 12 No. 4. pp. 264-278.
- Saha, Saugat and Vivek, Sinha (2006), "Local Celebs, Global Connect," *Economic Times*, July, p. 29.
- Shenkar, Oded and LuoYadong (2003), *International Business*, John Wiley & Sons, Inc., Hoboken, NJ.
- Ronen, Simcha (1986), *Comparative and Multinational Management*, NY: Wiley.
- Roy, Subir (2005), *Made in India – A Study of Emerging Competitiveness*, New Delhi:Tata McGraw-Hill Publishing Company Limited.
- Sengupta, Jayanta (2006), *WrapAround – Delivering a Great Brand Experience*, New Delhi: Rupa & Company.
- Warner, Malcom and Pat Joynt (Ed) (2002) *Managing Across Cultures: Issues and Perspective*, 2nd Ed, Thomson Learning, London, UK
- Whitely, William and George England (1997), "Managerial Values as a Reflection of Culture and the Process of Industrialization," *Academy of Management Journal*, 20, 3, pp. 439-453.
- Zakaria, Fareed (2006), "India Rising," *Newsweek*, March 6, pp. 34-4.

MANAGING APPRECIATING AND DEPRECIATING CUSTOMER ASSETS

DANIEL L. SHERRELL, *University of Memphis*
JOEL E. COLLIER, *Mississippi State University*

Customer asset management is a vital component of the CRM implementation process. This article suggests that customer valuation efforts should include the social influence (e.g., word-of-mouth and modeling) of customers in their profitability evaluation. Existing approaches to customer evaluation have failed to capture the social impact of customers and the potential impact of future customers. Additionally, previous research has blindly focused on the concept of loyalty without fully realizing that loyalty does not equal profitability. Using the traditional concepts of the product life cycle and the adoption-diffusion curve, the authors develop a framework that suggests timing benchmarks for the management of both profitable and unprofitable customers. Specifically, customer management activities should be split into two stages: an acclimation and evaluation stage and a discrimination and elimination stage. We identify six customer portfolio categories based on profitability, customer loyalty, and social influence along with providing tactics to manage each segment effectively. Finally, the authors conclude with a discussion of how to “fire” unprofitable customers.

INTRODUCTION

Many recent frameworks for managing customer equity have been built around the firm's ability to identify individual customer value (profitability) and use that information to focus relationship-building efforts on the most valuable customers (e.g., Reinartz et al. 2004; Rust et al. 2005). The predominant emphasis in such frameworks is on improving or maintaining the profitable customers' relationships with the firm. However, the suggestion to consider a firm's customer relationship portfolio as a strategic marketing asset (e.g., Reinartz et al. 2004; Sheth and Sisodia 2002) entails the management of weak or “bad” customer relationships as well as strong ones.

The CRM literature has seldom explicitly considered how to manage poor customers for a firm (for exceptions, see Reinartz et al. 2004; Stauss and Friege 1999; Thomas et al. 2004). Eliminating the drag on company marketing

profitability by reducing customer retention efforts for unprofitable customers can provide a significant boost. For example, Thomas, Reinartz and Kumar (2004) report estimates for a catalog retailer that a 31percent *reduction* in direct-mail investment per customer would *increase* average customer profitability by approximately 29 percent. Reinartz, Kraft and Hoyer (2004) refer to the desire of firms to prevent a “Type II error” or “the wrongful classification of low-value customers as high-value customers and subsequent overspending of resources” (p.295).

This focus on acquiring and retaining the “right” kind of customers has never been more evident than in the recent actions of property insurance companies. With the increase in damage from hurricanes, flooding, and tornados, insurance companies are now being more selective with their customer base. In areas of high risk like the southern coast of the United States, insurance companies are refusing to insure new clients, while at the same time “firing” existing customers by raising policy premiums or refusing to renew policies in high risk areas.

Acquiring customers is not enough to sustain long term growth, a business must seek, acquire, and retain customers that provide direct benefits to the organization. This means that an organization must actively manage its customer base by protecting and nurturing profitable customers while finding ways to manage unprofitable customers into profitability or ultimately out of the organization.

This paper examines the process of customer asset management and proposes a framework for handling both appreciating and depreciating customer assets. In addition, we will suggest a logic whereby the timing of tactical decisions about management of customer relationship portfolios can be estimated. Management needs to be mindful of how to manage customers who are dragging down profits and requiring numerous hours of customer support while providing little or no value to the company.

This article first summarizes the different approaches that have been advocated for examining customer profitability and argues for inclusion of an additional component concerning customer social influences (i.e., word-of-mouth and attitudinal loyalty). Next, a conceptual framework incorporating the product life cycle and its companion concept, the adoption / diffusion process, will be used to suggest a way to time the decisions in the customer asset management process. Finally, we detail suggestions for managing profitable and non-profitable customers to sustain long-term growth and financial success.

CUSTOMER VALUATION APPROACHES

Customer asset management rests on the foundation of the identification of individual customer value; either current (profitability) or future (customer lifetime value – CLV) (Blattberg and Deighton 1996). The classification of high- and low-value customers enables the development of effective tactics for the maintenance, enhancement, or elimination of customer relationships. Customer valuation

has witnessed the appearance of several different schools of thought concerning the “best” method of estimation. Some estimation approaches rely solely on exhibited customer purchase behavior, while other models incorporate estimates of future customer activity. Still other perspectives include consideration of customer loyalty or attitudinal indicators. Although each perspective has its supporters, there are also drawbacks to using each approach.

The RFM Approach

An early perspective on customer valuation arose from the direct marketing field, which can be best characterized as the “Rearview Mirror” approach. This perspective focuses solely on past customer purchase behavior as the best indicator of customer value. Direct marketers have advocated the use of direct estimation of customer value through frameworks such as the RFM model (Recency, Frequency, and Monetary Value (Dwyer 1997)). Under this approach, customers are classified into value categories according to how recently, how frequently, and how much they spend with a firm. This framework has been criticized for its inability to account for the purchase pattern differences of individual customers (Reinartz and Kumar 2002). Additionally, Gupta et al. (2006) point out that the RFM framework predicts behavior only for the next quarter with no real long term prediction. As well, Reinartz and Kumar (2003) contend that frameworks such as the RFM approach encourage managers to regard high-frequency customers as the most attractive, while their study showed intermediate frequency purchasers were more likely to be long-run customers. Currently, the RFM framework is one of the most widespread frameworks used in many industries due to its simplicity to implement, though it has obvious flaws in prediction.

The Cash Flow Approach

Another school of thought related to the direct marketing RFM approach is the “Cash Flow” approach (e.g., Berger and Nasr 1998; Blattberg

and Deighton 1996; Reinartz et al. 2004). This approach focuses on revenues minus costs that customers will bring into the firm over their *predicted* tenure with the company. Customer Lifetime Value (CLV) is defined as the “present value of the future cash flows attributed to the customer relationship” (Peters 1988; Pfeifer et al. 2005). Consequently, it is a forward-looking metric focused on potential customer revenues.

This approach requires an estimation of customer duration / tenure with the firm (e.g., Berger and Nasr 1998; Reinartz et al. 2004). Various models have been proposed in which customers are assumed to be “lost for good” once they leave the firm and treated as new customers if they choose to rejoin in the future (e.g., Reinartz et al. 2004; Reinartz and Kumar 2000). Rust et al. (2004) criticized this assumption by arguing that the approach systematically underestimated CLV for customers who switched firms frequently.

Venkatesan and Kumar (2004) and Rust et al. (2004) both used an “always-a-share” approach to CLV estimation, which did not treat lapsed customers who returned as brand new consumers. Rust et al. (2004) included a customer brand switching pattern matrix as input to their estimation of CLV. Overall, the Cash Flow approach improves upon the historical perspective of the Rearview Mirror approach, but possesses its own weaknesses in prediction with the assumption that management knows the predicted tenure of a customer.

The “Loyal Customer” Approach

A third approach to customer value estimation could be characterized as the “Loyal Customer” approach. This perspective advocates using customer loyalty as a proxy for estimated customer value. These models use a behaviorally-based definition of loyalty (e.g., a customer’s likelihood of re-purchase or purchase frequency (Tellis 1988)). Another contributing factor to the adoption of this approach is the relative ease of access to

historical customer purchase data from company records. Such a behaviorally oriented view of customer loyalty has been met with the criticism that it fails to capture the complexity of customer loyalty (e.g., Dowling and Uncles 1997; Kumar and Shah 2004; Oliver 1999; Reinartz et al. 2004). Customers who continue to patronize an organization because of switching barriers, convenience, or inertia are considered loyal customers under this perspective, although they may have little loyalty to the firm or be heavy purchasers.

The assumption that your most loyal customers are also your best customers is an intuitive one from the company’s standpoint, but ignores the possibility that your best customer may also be someone else’s “best customer” (e.g., Dowling and Uncles 1997). That is, many customers are multi-brand loyal. Many customers own multiple grocery loyalty cards and/or frequent flyer loyalty memberships. Consequently, customer behavior is not necessarily a precise indicator of customer commitment to a firm.

Reinartz and Kumar (2000) used data from a U.S. catalog retailer over a three-year time frame to show that customers who were completely or monogamously loyal to the company were only weakly correlated with profitability. The idea that profits will increase over time with loyal customers was found only with customers who generated low revenue streams and was rejected for loyal customers who generated high revenue for an organization. The study also found that loyal customers did not purchase at higher prices over time or were cheaper to serve. The authors concluded by stating that an organization’s best customers are not necessarily the most loyal customers.

CUSTOMER VALUATION: A NEW PERSPECTIVE

We suggest the perspectives described above are too narrowly focused on an organization’s current customer base without considering the impact of future customers. Current research

has tried to understand the value of customers by treating each one as a distinct transaction without fully considering the social impact customers have on one another. A broader conceptualization of customer value needs to include not only the behavioral but also the attitudinal aspects of customer loyalty, such as customer commitment, word-of-mouth activity, and customer product adoption effects.

An early examination of the dimensionality of customer loyalty led Dick and Basu (1994) to conclude that loyalty included both a behavioral and an attitudinal component. Attitudinal loyalty is important because it can indicate the customer's propensity to recommend the company to their friends or colleagues (Reichheld 2003). Similarly, Reinartz and Kumar (2002) found that customers who were both behaviorally and attitudinally loyal were 54 percent more likely to spread active word of mouth and 33 percent more likely to spread passive word of mouth about an organization than customers who were just behaviorally loyal.

We argue that a neglected aspect of customer valuation is the impact of customer word-of-mouth activity (both active and passive) by early adopters of a product (Hogan et al. 2003). None of the perspectives described above incorporate the potential value to the company derived from customers spreading positive word-of-mouth about its product(s). Hogan, Lemon and Libai (2003) developed a customer valuation model to estimate the value of a lost customer which included the impact of social influence (i.e., word-of-mouth and product diffusion modeling effects). They used the Bass new product growth model (Bass 1969; Mahajan et al. 2000) to model product category sales at any point in the diffusion process as a function of external influence (e.g., advertising or mass-media) and internal influence (e.g., word-of-mouth or imitation). Next, they estimated firm profitability by deriving its *market share* of the product category sales both with and without target customers. The value of lost customers is given by the difference in the profitability of the firm between the two cases.

Hogan, Lemon and Libai's (2003) approach enables the estimation of customer profitability which includes the consideration of social influence effects as a result of attitudinal loyalty. As they explain:

The earlier a customer disadopts, the more money the company loses. Early in the product's life, there is only a small pool of users available to affect future adopters through word of mouth and other social effects, and thus a single disadoption can have a significant effect on the rate of future customer acquisitions. This effect diminishes later when many more adopters join the pool that can influence, and thus the indirect effect of a single adoption goes down. (p. 201)

Hogan et al. (2003) used this model to estimate the value of a lost customer for the online banking industry. Using industry-level data for penetration rates in the year 2000, along with average firm-level estimates for on-line transaction profits, and customer lifetime, they estimated average customer profitability. Their results showed that up until Year 4 (of an average 5-year customer tenure), the indirect social influence of a lost customer on estimated value is larger than the direct effect of lost sales if that customer leaves early in the product life cycle. After Year 4, the direct effects of sales losses are greater than indirect social effects. Hogan et al. (2003) also estimated the average 5-year customer profitability for each of the adopter categories proposed by Rogers (1995) in a Monte Carlo simulation of on-line banking customers. They found that innovators had an average value of \$850 compared to an estimated value of \$200 for customers in the laggard category.

The point is that customer valuation methods should incorporate both behavioral dimensions (e.g., present value of estimated customer lifetime revenues) as well as attitudinal dimensions (i.e., estimated value of social (indirect) effects for early product adopters). Current consumer valuation methods such as RFM and standard CLV models fail to

incorporate such components and may produce misleading customer value estimates. Simply examining the past behaviors of customers will at best represent the current value of a customer base but without examining forward looking metrics such as satisfaction, word of mouth, and attitudinal loyalty, little insight can be gained about the future value of a customer.

The Profitability Lifecycle Approach

A key component in understanding how to manage a customer base into long term profitability is knowing how and when to discriminate between customers. For an organization to understand who is the “right” customer it must first understand who is the “wrong” customer. Little insight has been given on when customers should be treated differently in order to maximize the profitability of highly valued customers while actively managing unprofitable customers out of the organization. The authors propose a two stage framework that addresses the timing of assessing and discriminating between customers: Stage I: customer acclimation and evaluation and Stage II: customer discrimination and elimination. This framework provides a comprehensive review of how to manage a customer asset base by including not only the behavioral but also the attitudinal dimensions of a customer base. Lastly, another seldom addressed issue is the selection of tactics to manage unprofitable customers out of an organization without having a negative backlash. Numerous academic research has denoted how to manage profitable customers while very little attention has been given on how to manage a customer out of an organization. Understanding how to divest unprofitable customer assets can be just as important to a company’s long term success as successfully managing highly valued customers.

With the inclusion of future customers into the consideration of managing customer assets, the two stage framework uses a diffusion model approach by understanding how to manage customers within a product lifecycle.

Stage 1: Acclimate and Evaluate Customers

Tactics for the Introductory Stage. In the initial or introductory stage of a product, many organizations fall into the trap of thinking that all customers are good customers. Blindly focusing on acquiring customers instead of the “right” customers can be a recipe for financial ruin. This was extremely evident in the dot.com bust in early 2000 as companies such as Pets.com and CDNow spent large amounts of money on acquiring customers but soon afterwards found themselves hemorrhaging financially while trying to satisfy low margin customers. The first step of any organization should be to initially have an idea on how to target the right kind of customers. Early in a product’s lifecycle it is too early to determine the lifetime value of a customer but an organization can initially try to target the “right” kind of customers in order to avoid spending time and resources on customers that provide little value.

In the introductory phase of a product, an organization must “acclimate” its customers. This means that organizations must not only expose, but teach customers how to use a product and what value it will add for them. Hogan et al. (2003) suggest that losing customers early in the product lifecycle can have far greater financial consequences to a firm than losing a customer later in a product lifecycle. Consequently, they suggest emphasizing “... retention and postpurchase support at the earliest stages of the product life cycle.” (p. 206).

The authors support this statement by noting that profitability can be hurt by the “indirect effects” of losing customers early in a product’s life. In the early adoption of a product, social factors play a extremely important role of reducing perceived risks of adoption and lowering cognitive dissonance levels (Hogan et al. 2002). Customers who adopt a product early in its lifecycle are instrumental in promoting customer “string purchases” or purchases that are linked by the word of mouth of an existing customer (Hogan et al. 2004).

As stated earlier, the introductory stage of a product lifecycle is not the time to begin discriminating between existing customers. The focus of management in this stage is to acclimate customers to the product offering in order to promote positive word of mouth and imitation to the potential customer base. In the introduction of a new product, management should focus its attention on trial and repeat purchases. At this stage, management does not have enough information about the historical behavior of its customers nor has the customer formed a solid evaluation about the offering.

Managing customers in this stage of the product lifecycle is very similar to Ehrenberg's leaky bucket theory in that a company needs to initially maintain a level of sales at a higher level than those who are leaving or "leaking" away to sustain the product and build a solid foundation for recruiting new customers through social interaction (Ehrenberg and Goodhardt 1977). Oftentimes, customers in this phase of the product lifecycle can be classified as innovators and/or early adopters whose goal is often to be an opinion leader about a product. These individuals are rarely long lasting customers due to their novelty seeking behavior but their social interaction with others can have a tremendous impact on future customers. Further emphasizing that these customers simply need to be acclimated to the product in order to promote further acquisition of customers through social interaction with existing customers. In the introduction phase of a product, a company is simply establishing a customer base for future evaluation. Initially, acclimating customers to the value proposition of the product should be the main goal of a company in order to promote further growth from direct effects of the company and the indirect effects of existing customers.

Tactics for the Growth Stage. After a product has transitioned from an introductory phase to a growth phase (i.e., an increasing rate of sales growth), an organization needs to actively start taking steps to "evaluate" its customer base in order to distinguish between profitable and

unprofitable groups. In this stage, the social influence of customers takes on a more prominent role as more and more customers are adopting the product. In the growth stage of a product, a company can now start to assess historical patterns of purchasing behavior. As well, customers are starting to have more concrete opinions about the quality of and satisfaction with the product or service. The growth stage of a product is where a company should actively try to evaluate the lifetime value of its customer base in order to accurately target promotions to high valued customers while at the same time examining how to manage up or out potentially unprofitable customers. In this stage, management needs to start collecting and analyzing information about its customer base in order to start evaluating and, ultimately, segmenting customers based on profitability in order to effectively manage these different groups.

Quite often, organizations who have noncontractual customers can not provide one-to-one marketing support to its customers due to financial and time restrictions. Consequently, in order to manage its customer assets, organizations may need to segment groups of consumers based on profitability and loyalty in order to calculate an average customer lifetime value for the group (Berger et al. 2002). Assessing a customer's potential future value is not a simple process. Reinartz and Kumar (2000) speculate that three years of customer data might still be insufficient to accurately calculate a customer's lifetime value. Management need not rush into segmenting customers into groups without having enough long term information to accurately categorize customers. This information includes not only the rearview metrics such as previous purchase patterns but forward looking metrics such as positive word of mouth, satisfaction levels, and attitudinal loyalty to a company.

The end of the growth phase of a product life cycle (i.e., when the rate of sales growth increase is starting to slow down), is where customer behaviors tend to stabilize and are

more conducive to segmenting customers based on their projected long term value to an organization. Rogers' (1995) diffusion framework suggests that the growth stage of the product lifecycle is where the innovation diffusion category of the early majority tends to adopt a product. At this point, management should conduct in-depth analysis to identify those customers with the highest current value, as well as those customers with the highest potential for long-term contributions. By the growth stage, management should now be able to assess the switching patterns of customers and how receptive customers are to cross buying offerings which should provide more insight into the long term profitability of a customer. Many businesses, unwisely, wait until a product is in the maturity phase before deciding to segment and discriminate among their customers. The growth phase is where a business can assess its long term value of a customer through both behavioral and social metrics. A company would be better off to capture and evaluate customers in the growth stage so that when a product is in the maturity stage a company is already discriminating between its best customers in order to prevent wasteful spending on marketing campaign to those customers that are unprofitable or unlikely to respond.

Stage II: Discriminate and Eliminate

Peppers and Rogers (1997) put it best when they said some customers are more equal than others. Many organizations are realizing that treating all customers equally is not a sound financial plan nor an appropriate use of resources. The fact is, many companies' "best" customers get higher quality service, better offers, and quicker response to questions or problems. For example, restaurants will give their best customers choice seating, brokerages routinely provide dedicated resources to large investment clients, and sales divisions often take their best clients to sporting events and trips to tropical locations, while mildly profitable customers are simply called on by the sales staff.

In order to increase an organization's profitability over the long term, it must be able to distinguish between its customers in order to allocate resources in proportion to the profitability obtained from each customer. Zeithaml et al. (2001) state that many quality zealots disagree with the notion of providing a lesser service to some of its customers, but in reality this approach often provides more value to both the company and its customer base.

By the time a product reaches the maturity stage, an organization should already be managing its customer assets by discriminating between clients. Waiting until this stage to start evaluating customers will often lead to lower profits with inaccurate and inefficient targeting of profitable customers. According to Rogers' (1995) diffusion framework, the late majority and laggard customers begin to purchase the product at this point. Here, the organization needs to spend little time acclimating the customer to the company and its product. At this point, management should have developed a profile of the various types of "right" customers. Considerations of word-of-mouth activity, though still important, are not such a crucial concern with these types of customers.

The focus of the maturity stage is to actively manage all of its customer segments in order to prolong the maturity stage. This is done by finding and retaining the customers that have a long term potential for profitability. Relationships with profitable customers need to be enhanced and relationships with customers who have long-term profit potential need to be developed. Zeithaml et al. (2001) referred to this management process as "customer alchemy"- turning "iron" customers into "gold" and "gold" customers into "platinum" customers, and ultimately, getting the "lead" out.

Tactics for the Maturity Stage. Once a product has left the growth stage, an organization should have already evaluated its customer base in order to start discriminating among its clients. In order to further clarify the

challenges in discriminating between clients, we developed a classification system for customers to help identify management tactics that are suitable for use in the maturity and even decline stage of the product life cycle (see Table 1). As we argued earlier in the paper, a complete picture of customer valuation needs to include attitudinal loyalty as well as purchase behavior. Including customer loyalty helps value the customer’s potential contributions from social influence effects. Consequently, we have labeled customer classes as either “Monogamous” (i.e., loyalty / commitment to a single, primary firm by the customer), or “Polygamous” (i.e., loyalty / commitment to multiple firms by the customer). For purposes of simplification, customers with no alligance to any particular firm are classified as “Polygamous”, even though they may not have any attitudinal loyalty to any firms.

In the sections that follow, we suggest appropriate tactics for the different customer groups. Few studies have examined how to manage a customer asset that is loyal but still unprofitable, we provide further suggestions on

how to manage customers, both loyal and non-loyal, who are profitable and unprofitable. This holistic perspective should enable a more complete understanding of how to manage *all* of an organization’s assets not just the profitable ones.

Cell 1: Monogamous Loyalty – Profitable

Consumers who are attitudinally and behaviorally loyal and at the same time highly profitable can be considered an organization’s best customers. These individuals not only purchase their products solely from but are also highly valuable customers. For this group, the goal should be to extend the customer’s association with the firm. Cell 1 customers’ share of wallet (by definition) is high, so attempting to increase purchase volume may not be a fruitful option.

An organization should try to keep these customers satisfied, while at the same time, attempting to find ways to extend their tenure with the company. A frequent tactic used by firms is to offer loyalty programs that reward

**TABLE 1:
Managing Customer Assets Based on Profitability and Loyalty**

	Profitable	Potential for Profitability	Unprofitable
<p>Monogamous Loyal</p> <p>(Commitment to single firm—large share of wallet)</p>	<p><i>Goal: Extending customer life with firm</i></p> <ol style="list-style-type: none"> 1) Loyalty programs 2) Customer support programs 3) Special promotions 4) Promote new uses for product <p style="text-align: center;">1</p>	<p><i>Goal: Increasing purchase levels/Invest for future potential</i></p> <ol style="list-style-type: none"> 1) Increase self-service levels 2) Unbundle products 3) Emphasize WOM promotions <p style="text-align: center;">3</p>	<p><i>Goal: Raising prices/cutting costs to reach profitability or outsourcing to other firms</i></p> <ol style="list-style-type: none"> 1) Raise Price 2) Outsource Customers <p style="text-align: center;">5</p>
<p>Polygamous Loyal *</p> <p>(Commitment to multiple firms—small share of wallet)</p>	<p><i>Goal: Increasing purchase Levels</i></p> <ol style="list-style-type: none"> 1) Special offers—Bundling 2) Frequent purchase programs 3) Additional service levels 4) Promote new uses for product <p style="text-align: center;">2</p>	<p><i>Goal: Increasing purchase levels/cutting costs</i></p> <ol style="list-style-type: none"> 1) Increase self-service levels 2) Unbundle products <p style="text-align: center;">4</p>	<p><i>Goal: Raising prices/ outsource to other firms/avoid targeting</i></p> <ol style="list-style-type: none"> 1) Raise Prices 2) Outsource customers 3) Lower service levels 4) Refuse to renew business <p style="text-align: center;">6</p>

*Includes customers who exhibit no loyalty to any particular firm.

these customers for their behavior. Dowling and Uncles (1997) note that you do not need to blow the customer away with the magnitude of the rewards from a loyalty program. Relationship management activities should focus on maintaining the customer's established satisfaction with the company and building higher switching barriers to extend their relationship with the firm.

Management of customer relationships with cell 1 customers can be accomplished by offering satisfaction guarantees, providing customer feedback initiatives to make sure the customer is satisfied, and offering special promotions for these customers such as giving these "premium" customers the ability to purchase items before the rest of the public, or making sure to remember customer preferences for products. Lastly, management needs to take an active role in forming a relationship with these customers. Monogomously loyal customers want a company to recognize them as valued customers which means doing the little things such as recognizing these individuals by name and thanking them for their continued patronage. These individuals already have an elevated impression on the company and management needs to simply maintain the high level of satisfaction that has already been achieved by previous visits.

Cell 2: Polygamous Loyalty – Profitable

This group of consumers, called butterflies by Reinartz and Kumar (2000), is a highly profitable group, but do not purchase from just one company. This segment has a large growth potential, but is expensive to target because they tend to be extremely price conscious and/or variety seekers (Reinartz and Kumar 2000). Though cell 2 customers are not loyal to one company, the benefits these customers bring can be substantial. The presence of these cell 2 customers may provide the sales volume needed for the company to achieve the available economies of scale in its operations. Johnson and Selnes (2004) point out that for firms whose offerings fall closer to the

commodities category, these types of customers may represent the primary type of segment.

The goal for management with cell 2 customers is to increase their purchase levels and allocate a larger share of wallet to the firm. These customers often need an incentive to switch their business from competing firms. Targeting this group with special promotions and offers such as bundling products for price discounts are suitable tactics. Additionally, this group may require a higher service level in order to acquire more of their business. Other tactics for targeting this group are to offer frequent purchase programs, and as with cell 1 customers, a company can look for new ways to market their product to this group via different uses.

This group can be highly profitable for a firm, but it is harder to estimate its long-term value due to its inconsistency of purchase behavior. While cell 2 customers may be profitable to pursue, they will be harder to convert to monogamous customers. The long term key for this segment is to find what each customer values, whether it is price discounts, variety of choices, or increased service levels in order to target this highly profitable group. In order to obtain cell 2 customers' business, an organization must provide a distinct or unique offer in order to promote further switching behaviors. These customers are highly coveted by numerous firms and will not be easily swayed by "me too" offers. An organization must provide an offer or incentive that distinguishes it from the rest of the organizations vying for their business. An organization that is not only trying to acquire, but also to retain these type of customers, must think in new and challenging ways in order to increase the frequency and consistency of these customers purchasing with the firm.

Cell 3: Monogamous Loyalty – Potential for Profitability

Some consumers are highly loyal to an organization, but do not produce profits for an organization in the short run. This customer

segment may be highly profitable customers in the future, but right now an organization might have to go through some “growing pains” with the customer. College student customers in the banking industry are a prime example of this category. Commercial banks make very little money serving college students, but their goal is to focus on the long term possibilities for this group. Cocheo and Harris (2005) noted that seven out of ten organizations in banking actively try to manage customers into profitability rather than nudging them out the door.

An organization needs to take active steps in managing its customer base to leverage the existing loyalty of its customers, while at the same time looking for ways to make this group more profitable. Implementing word of mouth programs where the customer gets a discount for referrals is a way to increase an organization’s customer base while at the same time nurturing customers into more profitable segments.

The lack of profitability of this group in the short run can also be addressed by having customers take on more of the traditional employee roles through the use of self-service technology. In this approach, the customer is absorbing some of the service cost by performing part of the service process themselves, which directly impacts the profitability of the firm. Another technique used to make cell 3 customers more profitable in the short run is to unbundle products and make the consumer pay for each aspect of the product. The added revenue from component product/service can compensate for the lack of frequency or purchase amount.

Cell 3 customers can be considered “small wallet” individuals. These customers are committed to the firm, but do not have the resources at the present time to be considered a profitable segment. If an organization determines that a group of consumers has the potential to be profitable in the future, it would serve them well to find ways to make this group more profitable in the short run while

investing to maintain the relationship for the long run possibilities.

Cell 4: Polygamous Loyalty – Potential for Profitability

Cell 4 customers are among the hardest group to classify and evaluate in terms of long term value. These customers purchase infrequently and are not a valuable segment to the firm. An organization needs to determine if this customer has a “small wallet” or if the organization is only capturing a small “share of wallet”.

The firm should try to explore the reasons for the multi-firm loyalty by cell 4 customers and estimate if efforts to encourage switching are likely to be successful. Reinartz and Kumar (2000) warn against “chasing” these types of customers for too long and driving the customer asset base’s value down. Tactics for cell 4 customers are similar to those for cell 3 customers, with the exception that WOM promotions are unlikely to be successful. The use of more self-service technology and product unbundling to cut service costs for this group is a recommended approach. As well, short term cross buying promotions and frequency programs may be used to gauge the value of a customer in this segment. These promotions will give an organization the ability to determine if this potential profitability will actually turn into reality in the future.

Cell 5: Monogamous Loyalty – Unprofitable

Monogamous customers who are unprofitable to service from a long term perspective are a financial hinderance on an organization’s growth and future success. A consumer who keeps coming back, but purchases very little and requires extensive time and effort from an organization can be the root of many problems. Serving a disproportionate amount of time with customers who are ultimately unprofitable to service hinders and masks the overall success of an organization with its other customer groups. Customers who have been determined to be unprofitable from a long term perspective

need to be managed up or out. Zeithaml et al. (2001) noted that highly profitable customers were roughly 18 times more profitable than the bottom 20 percent of customers that were often nonprofitable to service.

One way to manage cell 5 customers into profitability is to raise the price charged for the product or service. Increasing the price of a product to a level that allows an unprofitable customer to make a contribution to firm profits obviously benefits the company, but also allows customers to decide if they want to stay with the firm.

Another technique firms are using more and more frequently is to outsource cell 5 customers to other organizations. This outsourcing activity can be transparent to the customer or explicitly identified by the firm. In the first instance, the customer may still believe that they are doing business with the organization, but a subcontractor is actually handling the business in a seamless manner. For example, many of the popular overnight package delivery firms use this approach for its rural package customers. Instead of delivering a single package to a remote location in a rural community, these companies simply deliver their packages to the local postoffice and pay the postage for the local mail carrier to deliver the package. The original sender of the package has no idea that the overnight carrier did not actually deliver the package. In this instance, the organization does not try to drive off the customer, but uses a more cost effective outsourcing method to service these customer groups.

Retaining unprofitable consumers for the simple reason that they are loyal to the company is a recipe for financial ruin. An organization needs to be mindful of who the right customers are and take proactive steps to quickly manage the wrong customers appropriately. Ignoring the presence of unprofitable customers in cell 5 will not make the problem go away and ultimately masks the true profitability of a firm. Nonprofitable and profitable customers must be actively managed

in order to secure the long term success of an organization.

Cell 6: Polygamous Loyalty – Unprofitable

Consumers who not only are unprofitable, but have no loyalty to a company are the worst kind of customers for an organization to maintain. These customers use time and energy resources in a disproportionate amount, and the company does not even get the word of mouth benefits that monogamous customers provide. An organization can take steps such as raising prices, and outsourcing services, but at times a more direct action is needed to resolve the problem.

The service level provided to these customers might be intentionally lowered to cut costs. In addition, lower service levels might give these customers an incentive to seek other providers. Financial brokerages use this technique by calling back their best customers within minutes, while small and/or unprofitable clients can wait much longer for a return phone call. An organization may also need to take an active approach in managing its customer assets by eliminating or firing customers from an organization. The next section will specifically address “firing” customers

ELIMINATING DEVALUED CUSTOMER ASSETS

When a product is entering the mature or decline stage of the product life cycle, a firm needs to take a more direct route in managing its customer assets. Maintaining profitability is a more critical issue in these stages because sales are slowing and concerns for long term growth are a prominent issue. In this stage, an organization needs to actively identify and “fire” customers that have no long or short term profitability. The idea of firing customers seems like a foreign concept with the recent emphasis from CRM on customer retention. Acting decisively to eliminate unprofitable customers and their drag on the value of the firm’s customer assets is a necessary part of managing for long-run value.

One way for a company to divest its undesirable customers is to outsource the service of these customers to other organizations. Outsourcing is an opportunity to lower costs while allowing the firm to focus its efforts, time, and resources towards the customers that have the highest likelihood of increasing sales and generating more profitability. As we suggested earlier, this outsourcing tactic can be managed transparently for the customer if the objective is to keep the customer. In some instances, long standing customers who are both attitudinally and behaviorally loyal to a company can migrate to a financially undesirable segment, but due to the social interaction and relationship building opportunities of these customers it is still advantageous to keep up the appearance of servicing these customers. By outsourcing these customers to another company, an organization has fired a customer without them ever knowing this has taken place.

However, if the firm wants to “signal” to the customer that their business is of marginal value to the firm, the outsourcing decision can be identified to the customer in advance. For example, a retailer may communicate to a marginal customer that their order is processed off-site to save costs. The assurance of quality in product performance needs to be maintained, but the customer can be informed that the outsourcing activity is motivated by a desire to cut costs. This type of outsourcing activity is common in the trucking and dry cleaning industry. Trucking companies will often outsource a small delivery to an independent trucker rather than constrain the ability to use its trucks on a more profitable delivery. As well, drycleaners will often outsource their service to other companies for infrequent cleaning orders on clothing items.

Previous research has stated that offering lower service levels to undesirable clients is an appropriate method of managing customers out of an organization (Zeithaml et al. 2001). This is very similar to a dating situation where one party wants to break up and slowly stops

calling in the hopes that the relationship will just fade away without a direct confrontation. This can be a very favorable tactic to use for an organization if the customer is not highly involved or attitudinally loyal to an organization. If a customer is highly invested in patronizing an organization and it slowly starts lowering its service, the customer will initially protest and complain about the lack of service. In this instance, both the customer and now the company are unhappy about the situation because the organization is still dealing with the nuisance of a dissatisfied client that they don't want to service while the customer is looking for resolution and justice to the lack of service being given. By letting highly loyal customers become slowly dissatisfied with a company, the potential for negative word of mouth increases tremendously. These customers not only feel as if they are being ignored but that the company has slowly become incompetent to satisfy their needs.

In some cases, an organization must take an active approach to firing unprofitable customers by directly communicating to the customer that it is no longer financially desirable to service this segment of customers. Due to the negative backlash of directly firing customers, an organization must put some forethought into finding a potential home for these displaced customers to avoid negative word of mouth. By providing an attractive alternative for the customer, an organization can soften the blow to the customer. No customer is going to be happy about being fired but if a company can provide an alternative that might actually dedicate more resources to servicing the customer, then ill feelings about the departure will be lessened. Though this direct method of “firing” customers can be blunt, some customers would rather know the relationship is no longer wanted than have to struggle through the frustration and dissatisfaction of a long goodbye.

CONCLUSION

Numerous studies in the past have made claims that determining the lifetime value of the customer is the essential key for long term success. Determining who are valued customers is just one part of managing an organization's customer asset base. An organization must understand its clients' behaviors and choices in order to fully understand who are the "right" and "wrong" customers.

An equally important part to managing a customer asset base is the ability to determine what can be done to move customers to a more profitable state or to manage unprofitable customers out of an organization. The days of focusing on just loyal customers are gone. With the recent increases in diversification, few businesses purchase products and services exclusively from one organization. A company's "best" customer can also be the customer of your competitor. Loyalty, or the tenure a customer has with an organization, is an ineffective measure for the allocation of financial resources. Some consumers can be extremely loyal to an organization and at the same time be a financial burden for an organization to continually service.

This paper examined not only how to evaluate the lifetime value of a consumer, but also how to manage a company's asset base by discriminating and, if necessary, eliminating different types of customers. Using the innovation diffusion categories and the product life cycle, we have provided a framework for managers to understand which segments of consumers need time to be acclimated and evaluated to a product, along with which segments need more of a focus on discrimination and elimination.

The two stage approach proposed in this paper provides a more comprehensive perspective to customer asset management by providing the ability to decide both *how* and *when* to distinguish between different types of customers. At the beginning of a product's life

cycle, firms need to focus on acclimating customers to the product. As the product life cycle proceeds into the growth stage, an organization needs to take an active step in tracking and evaluating its customer base to determine who are its best customers. At the end of the growth stage, an organization should now be fully discriminating between its customer assets. If the maturity stage of a product is to be prolonged, an organization must actively manage its customers into the most profitable segments. As a product reaches the decline stage, the elimination of the wrong type of customers takes on an added emphasis in order to sustain the life of the product. Customers are truly assets of a firm and it is the responsibility of an organization to manage appreciating assets into more profitable categories, while at the same time disposing of assets that have no residual value anymore.

REFERENCES

- Bass, Frank M. (1969), "A New Product Growth Model for Consumer Durables", *Management Science*, Vol. 15, (January), pp. 215-27.
- Berger, Paul D., Ruth N. Bolton, Douglas Bowman and Elten Briggs (2002), "Marketing Actions and the Value of Customer Assets: A Framework for Customer Asset Management", *Journal of Service Research*, Vol. 5, (1), pp. 39-54.
- Berger, Paul D. and Nada L. Nasr (1998), "Customer Lifetime Value: Marketing Models and Applications", *Journal of Interactive Marketing*, Vol. 12, (1), pp. 17-30.
- Blattberg, Robert C. and John Deighton (1996), "Managing Marketing by the Customer Equity Test", *Harvard Business Review*, Vol. 74, (4), pp. 136-44.
- Cocheo, Steve and Kaisha Harris (2005), "Key Customers, Today, and Tomorrow", *ABA Banking Journal*, Vol. 97, (March), pp. 3-6.
- Dowling, Grahame R. and Mark Uncles (1997), "Do Customer Loyalty Programs Really Work?", *Sloan Management Review*, Vol. 38, (4), pp. 71-82.

- Dwyer, F. Robert (1997), "Customer Lifetime Valuation to Support Marketing Decision Making", *Journal of Direct Marketing*, Vol. 11, (4), pp. 6-13.
- Ehrenberg, A.S.C. and G.J. Goodhardt (1977), *Understanding Buyer Behavior*. New York: J. Walter Thompson and the Market Research Corporation of America.
- Gupta, Sunil, Dominique Hanssens, Bruce Hardie, William Kahn, V. Kumar, Nathaniel Lin, Nalini Ravishanker and S. Sriram (2006), "Modeling Customer Lifetime Value", *Journal of Service Research*, Vol. 9, (2), pp. 139-55.
- Hogan, John E., Donald R. Lehmann, Maria Merino and Rajendra K. Srivastava (2002), "Linking Customer Assets to Financial Performance", *Journal of Service Research*, Vol. 5, (1), pp. 26-38.
- Hogan, John E., Katherine N. Lemon and Barak Libai (2004), "Quantifying the Ripple: Word of Mouth and Advertising Effectiveness", *Journal of Advertising Research*, Vol. 44, (3), pp. 271-80.
- (2003), "What is the True Value of a Lost Customer?", *Journal of Service Research*, Vol. 5, (3), pp. 196-208.
- Johnson, Michael D. and Fred Selnes (2004), "Customer Portfolio Management: Toward a Dynamic Theory of Exchange Relationships", *Journal of Marketing*, Vol. 68, (1), pp. 1-17.
- Kumar, V and Denish Shah (2004), "Building and Sustaining Profitable Customer Loyalty for the 21st century", *Journal of Retailing*, Vol. 80, (4), pp. 317-30.
- Mahajan, Vijay, Eitan Muller and Yoram Wind (2000), *New Product Diffusion Models*. Boston: Kluwer Publishing, Inc.
- Oliver, Richard L. (1999), "Whence Consumer Loyalty?", *Journal of Marketing*, Vol. 63, (special issue), pp. 33-44.
- Peppers, Don and Martha Rogers (1997), *Enterprise One to One : Tools for Competing in the Interactive Age* (1st ed.). New York: Currency Doubleday.
- Peters, Thomas J. (1988), *Thriving on Chaos : Handbook for a Management Revolution*. New York: Knopf : Distributed by Random House.
- Pfeifer, Phillip E., Mark E. Haskins and Robert M. Conroy (2005), "Customer Lifetime Value, Customer Profitability, and the Treatment of Acquisition Spending", *Journal of Managerial Issues*, Vol. 17, (1), pp. 11-25.
- Reichheld, Frederick F. (2003), "The One Number You Need to Grow", *Harvard Business Review*, Vol. 81, (12), pp. 46-54.
- Reinartz, Werner, Manfred Krafft and Wayne D. Hoyer (2004), "The Customer Relationship Management Process: Its Measurement and Impact on Performance", *Journal of Marketing Research*, Vol. 41, (3), pp. 293-305.
- Reinartz, Werner and V. Kumar (2003), "The Impact of Customer Relationship Characteristics on Profitable Lifetime Duration", *Journal of Marketing*, Vol. 67, (January), pp. 77-99.
- (2002), "The Mismanagement of Customer Loyalty", *Harvard Business Review*, Vol. 80, (7), pp. 86-94.
- (2000), "On the Profitability of Long-Life Customers in a Noncontractual Setting: An Empirical Investigation and Implications for Marketing", *Journal of Marketing*, Vol. 64, (October), pp. 17-35.
- Rogers, Everett M. (1995), *Diffusion of Innovations* (Fourth ed.). New York: The Free Press.
- Rust, Roland T., Katherine N. Lemon and Das Narayandas (2005), *Customer Equity Management*. Upper Saddle River, New Jersey: Pearson/Prentice Hall.
- Rust, Roland T., Katherine N. Lemon and Valarie A. Zeithaml (2004), "Return on Marketing: Using Customer Equity to Focus Marketing Strategy", *Journal of Marketing*, Vol. 68, (1), pp. 109-27.
- Sheth, Jagdish N. and Rajendra S. Sisodia (2002), "Marketing Productivity: Issues and Analysis", *Journal of Business Research*, Vol. 55, (5), pp. 349-62.
- Stauss, Bernd and Christian Friege (1999), "Regaining Service Customers", *Journal of Service Research*, Vol. 1, (May), pp. 347-61.

- Tellis, Gerard J. (1988), "Advertising Exposure, Loyalty, and Brand Purchase: A Two-Stage Model of Choice", *Journal of Marketing Research*, Vol. 25, (May), pp. 134-44.
- Thomas, Jacquelyn S., Werner Reinartz and V. Kumar (2004), "Getting the Most Out of All Your Customers", *Harvard Business Review*, Vol. 82, (7/8), pp. 116-23.
- Venkatesan, Rajkumar and V. Kumar (2004), "A Customer Lifetime Value Framework for Customer Selection and Resource Allocation Strategy", *Journal of Marketing*, Vol. 68, (October), pp. 106-25.
- Zeithaml, Valarie A., Roland T. Rust and Katherine N. Lemon (2001), "The Customer Pyramid: Creating and Serving Profitable Customers", *California Management Review*, Vol. 43, (4), pp. 118-42.

RETAIL STORE IMAGE, *BONA FIDE* OCCUPATIONAL QUALIFICATIONS, AND JOB DISCRIMINATION: ESTABLISHING THE *ESSENCE OF THE BUSINESS* FOR RETAIL ORGANIZATIONS

SHAHEEN BORNA, Ball State University

JAMES M. STEARNS, Miami University

BRIEN N. SMITH, Ball State University

KIAN EMAMALIZADEH, Mannheim University

The authors examine the relationships among the concepts of bona fide occupational qualifications, retail store image, and job discrimination. Retailers increasingly must grapple with employees' physical or demographic attributes as bona fide occupational qualifications for the purpose of creating a desired store image. Such practices may clash with Title VII of the Civil Rights Act of 1964, which prohibits discrimination in hiring, firing, promotion, or other workplace decisions. The question for retailers is: when is it defensible to discriminate on the basis of physical or demographic characteristics? The answer to that question involves determining the essence of the business. The authors examine legal cases involving hiring based on physical appearance or demographic attributes of employees and, using consumer preferences, propose economic and market research approaches for determining the essence of the business. Recommendations for retail organizations are offered.

INTRODUCTION

Image creation is a major component of retail strategy. Consumers often use image to help evaluate and select retailers. Retail store image is the schematic memory (sometimes called knowledge structure) of a store as a result of many different stimuli. Schematic memory, or schema, refers to a complex web of associations among different stimuli. For example, knowledge structure of a target audience for McDonald's restaurants may be based on the association of the restaurants' fast service, friendly staff, low price, child-friendly atmosphere, limited menu, and clean facilities. Store image can be used to position a retailer vis-à-vis other stores in consumers' evoked sets.

Retail store image may be thought of as a combination or association of discrete elements. The web of tangible and intangible discrete elements in a store's image is linked together in

a molecule-like whole. The multiple-element, molecular nature of store image suggests that if an element, deliberately or inadvertently, is changed, such a change may completely alter *the essence* of a store's entity and hence its image. Using an analogy from chemistry, switching FE_3O_2 to FE_2O_3 creates a new substance.

Since the seminal work of Martineau (1958), the literature yields several conclusions about store image. Among these are:

1. There is general agreement about the definition of store image.
2. There is little disagreement concerning the potential major elements of store image:
 - Merchandise
 - Services
 - Clientele
 - Physical facilities
 - Convenience
 - Promotion
 - Store atmosphere
 - Institutional attributes
 - Post-purchase satisfaction
 - Store employees

3. The most frequently examined store image attributes are: merchandise quality and price, location convenience, general service, and employee/sales clerk image and service.
4. With the exception of legal articles or cases, no literature was found dealing with the relationship among store image, the physical and demographic attributes of employees/sales clerks, and the ability of the retail organization to legally discriminate based on those attributes.

JOB DISCRIMINATION, RETAIL STORE IMAGE, AND EMPLOYEE ATTRIBUTES

Retailers have increasingly turned to physical and/or demographic attributes of employees as important, and sometimes dominant, elements in a retail store's image. To create a certain image, the retailer perceives a need to include these desired attributes in the definition of the organization's *bona fide* occupational qualifications (BFOQ). Using *bona fide* occupational qualifications in hiring means intentional discrimination on the basis of these personal attributes, a potential violation of Title VII of the Civil Rights Act of 1964 (hereafter Title VII), which prohibits discrimination in hiring, firing, promotion, or other workplace decisions. The question for retailers is how to navigate the dangerous waters of discrimination while establishing the store image needed to remain viable.

In the following sections, we first examine Title VII with the purpose of providing background for situations where discrimination, at least partially dependent on employee attributes, is used in hiring to achieve a store image. Next, we will consider the concept of *bona fide* occupational qualifications used to discriminate and its relationship to the *essence of the business*.

Generally, if these employee attributes (BFOQs) can be demonstrated to be related to the *essence of the business*, discrimination is acceptable and legal. Although normally court cases provide guidelines about when discrimination is legal, that has not been the case with retailers and *bona fide* occupational

qualifications. The problem is that retailer defendants have either lost or settled legal cases where employees' physical and demographic attributes were used to create or contribute significantly to a store image. The results of these cases, although interesting and insightful, provide few **strict** or completely **objective** guidelines for legal discrimination in hiring of retail employees. To provide more measurable and objective guidelines, we then propose economic analysis and market research similar to that used in mergers and acquisitions as a possible basis to determine if certain employees change the *essence of the business*. And last, based on the lessons learned from legal cases, economic analyses, and market research, we provide guidelines for retail organizations contemplating discrimination in hiring in order to make employee attributes dominant features in their store image.

Title VII of the Civil Rights Act

One of the most important pieces of social legislation in the past fifty years in the U.S. is the Civil Rights Act of 1964. This act proscribes certain types of discrimination in a number of areas including public accommodation, public facilities, and public education. Title VII of the Act forbids discrimination in employment opportunity. Title VII is the primary federal statutory provision addressing discrimination in the workplace. The Act states it is an unlawful practice for an employer to discriminate against an individual on any term, condition, compensation, or privilege because of race, color, religion, sex, or national origin. The Act also establishes the five-member Equal Employment Opportunity Commission (EEOC) which is responsible for the judicial enforcement of civil rights laws.

In addition to the Civil Rights Act of 1964, a number of other federal laws prohibit job discrimination, and are under the purview of the EEOC. These acts include the Equal Pay Act, the Age Discrimination in Employment Act, the Rehabilitation Act, the Americans with Disabilities Act, and the Civil Rights Act of 1991. In total, this legislation extends protected group status to race, color, religion, sex,

national origin, age, disability, and differential pay due to sex. Generally, these laws apply to all public employers, state and local governments, educational institutions, labor unions, and employment agencies.

Under some circumstances, explicit discrimination against the defined protected groups is allowed. According to paragraph E of Section 703 of Title VII:

It shall not be an unlawful employment practice for an employer to hire and employ employees or for an employment agency to classify, or refer for employment any individual on the basis his religion, sex, or national origin in those certain instances where religion, sex or national origin is a **bona fide occupational qualification** reasonably necessary to the normal operation of that particular business or enterprise (Title VII, emphasis added).

For example, a permissible defense against a claim of discrimination would be that such discrimination was necessary for reasons of national security. Likewise *bona fide* seniority systems, merit systems, and professionally developed tests provide legitimate defenses as long as they were not explicitly implemented to discriminate against protected group members.

Bona Fide Occupational Qualifications

A *bona fide* occupational qualification is "...any requirement, which when viewed on the surface seems biased, but actually is reasonably necessary for the performance of the job. For example, religion could be considered a *bona fide* occupational qualification when membership in a certain religion is reasonably necessary to the performance of a job" (Bluestreak Media, 2004). Other examples may include apparel models, or actors or actresses where excluding one sex or the other would be seen as a legitimate occupational qualification. In addition, a hospital could categorically exclude men from obstetrics-gynecological nursing positions or a club could hire only women to strip for a target audience (e.g., heterosexual men) if the employer could show that the discriminatory practice is "*reasonably*

necessary" to the "*normal operation*" of the "*particular*" business in question (42, U.S.C. 2000e). It is generally accepted that there are no BFOQs for race.

In order to use the BFOQ defense, the company/discriminator must pass what is known as the *essence of the business* test (Burstein, 1998). For a company to successfully pass the test, it must demonstrate that its hiring decisions, based on otherwise prohibited practices, are *essential* to the business.

The *essence of the business* test can be determined by answering three questions, all of which must be answered in the affirmative: (1) Is the basis for discrimination essential to the business? (2) Are all or reasonably all the members of the group allegedly being discriminated against unable to perform the requirements of the position without changing the product's or service's core characteristics and, as a result, its market? (3) Are there no other reasonable approaches that exist, except those that would cause the company to change markets or cause the company to fail? (Cantor 1999).

In order to answer the above three questions, the firm must be able to operationalize the concepts of the *essence of the business* and *relevant market*. The *essence of the business* can be determined by the strength of market-revealed consumer preferences. If failure to meet consumer preferences for a given employee attribute, such as sex or religion, would result in business failure, then sex or religion can be construed as integral to the *essence of the business*. For example, if consumers' preference for topless female dancers is sufficiently strong and failure to meet that preference results in a failure of the business, then topless female dancers are an integral part of the *essence of the business* and sex can be used as a BFOQ. On the other hand, if failure to meet consumers' preference may result only in decreased profits but not a failure of the business, that characteristic is not essential to the business and cannot be used as a BFOQ defense.

CASES INVOLVING *BONA FIDE* OCCUPATIONAL QUALIFICATIONS

The difficult task facing a firm offering a bundle of attributes is to prove that a given employee attribute or a combination of attributes is the defining or integral characteristic of the business (*essence of the business*), and any change in those attributes will result in business failure. The following cases and arguments are examples where these issues were salient for discrimination in hiring by retailers.

Southwest Airlines

Southwest Airlines created a company called Love Air. The intended image of Love Air was “feminine spirit, fun, and sex appeal.” The company’s advertisements featured the slogan, “AT LAST THERE IS SOMEBODY UP THERE WHO LOVES YOU.” Love Air’s ads promised to deliver “tender loving care” to its target market, which was composed primarily of men (Burstein 1998). Furthermore, Love Air commercials promised clients attractive female attendants who wore hot-pants and served passengers “love bites” (toasted almonds) and “love potions” (cocktails). Even Southwest’s ticketing system featured a “quickie machine” that was to provide “instant gratification” (Cantor 1999).

After being sued for sex discrimination, Southwest Airlines argued that sex was a *bona fide* occupational qualification on the grounds that it was at the core of their marketing strategy. The court acknowledged the airline’s strategy as a practice necessary to attract customers who would make the airline economically viable. The judge in the case, however, concluded that Southwest’s marketing strategy did not transform the *essence* of Southwest’s business, which is the transportation of passengers from one location to another (McGowan 2003). Marketing strategies, therefore, in and of themselves, do not determine the *essence of the business*.

Hooters

Opening in 1983, Hooters has based its concept on the “Hooters Girl,” the all-American cheerleader, or the surfer girl next door. Hooters Girls, according to the company, are the face of Hooters stores and establish Hooters’ ambiance and fun and beach-like environment. Hooters Girls are women who can perform this function and maintain Hooters’ image. This image included wearing the Hooters uniform: “Hooters T-shirt, 1/2 shirt, or tank top (Hooter’s girls only), orange Dolfin’s shorts, white bra, suntan panty hose (non-design), clean white tennis shoes and socks, name-badge, pouch/belt, prom-like appearance (hair, makeup, and nails done neatly), positive attitude showing through, prettiest smile in the whole world!” (Burstein, 1998) In 1991, Hooters was contacted by the EEOC and notified that a complaint had been filed that the business was violating the Civil Rights Act. The plaintiff in the case claimed he was the victim of sex discrimination because he was not hired by Hooters despite significant experience as a waiter. This case was settled out of court in May of 1996. As part of the settlement, in which Hooters agreed to pay \$3.8 million to the plaintiff, Savino Latuga, the restaurants were allowed to continue hiring only women to wait tables. Other similar class-action suits filed by men in Chicago and Maryland were settled in similar fashion in November of 1997. In a press release, the company claims that the “settlement agreement acknowledged that ‘being female is reasonably necessary’ to the performance of the Hooters Girl’s job duties, forever preserving the integrity of the Hooters Girl Concept” (Burstein 1998).

Abercrombie and Fitch

Abercrombie and Fitch (A&F) is a specialty retailer of apparel for men and women with an active and youthful lifestyle. As part of its image, A&F crafted the “A&F Look,” primarily through its employees. A&F employees’ looks are carefully mandated by the company’s *Associate Handbook*. The handbook, for example, details the employees’ makeup for creating a *fresh, natural appearance* and types

of clothing and footwear which reflect body types, so that associates (sales representatives) look *attractive* and *classic*.

The A&F case is a complicated one because the company not only uses employees' appearance, but allegedly their race (the "A&F Look" typically includes attractive Caucasians), age, and country of origin (few Asians, Hispanics and Filipinos are hired as sales representatives) for building a desired store image. On June 16, 2003, a coalition of four organizations filed an employment discrimination class action lawsuit against A&F. The plaintiffs alleged that A&F discriminated against people of color, including Latinos, Asian Americans, and African Americans, in hiring, job assignment, and other terms and conditions of employment. The basis of the case, therefore, was race and country of origin, not appearance. A&F settled the case and agreed to pay \$50 million. The settlement approved on November 16, 2004, calls for payments of \$40 million to black, Hispanic, and Asian employees and job applicants and \$10 million for attorneys' fees and to monitor compliance. Because of the broad and rather vague nature of the "A&F Look," it was difficult for the company to use the BFOQ defense and establish a link to the *essence of the business*.

The critical question in the above and similar cases is to determine which *element*, or *combination of elements*, plays a *dominant* role in the company's product offering. This question can be answered by evaluating consumers' market-revealed preferences for a given element or a combination of elements, to determine the *essence of the business*. If, for example, it can be **demonstrated** that preference for employee attributes are strong enough, those attributes can be used as BFOQs (AFjustice 2004 and 2005).

Appearance as a *Bona Fide Occupational Qualification*

The cases considered above use dimensions of employee characteristics for creating store images. The conclusion reached was that an employer cannot discriminate against members of protected groups for the purpose of building

a desired store image unless it can be demonstrated that such attributes constitute *bona fide* occupational qualifications. The most perplexing and interesting BFOQ-related question, which was not resolved in the A&F case, is whether employees' **appearance** can be a BFOQ. Clearly, employers can enforce "grooming" codes for the purpose of store image as long as such codes are non-discriminatory in nature. Courts have recognized that appearance of a company's employees may contribute to the company's image and success in the market place. Therefore, a reasonable dress or grooming code is considered a proper management prerogative. (e.g., Fagan v. National Cash Register Co. 1973 and La Von Lanigan v. Bartlett & Co. Grain 1979). Title VII also does not bar "appearance" standards so long as they are non-discriminatory.

An interesting case in which appearance standards were raised is Craft v. Metromedia Inc., 1985. In this case, the plaintiff, Christine Craft, a co-anchor for a TV station in Kansas City, Missouri (KMBC-TV), was reassigned to a reporter position because of her appearance. The reassignment was based on the results of market research, specifically focus group studies and telephone polls, which were "overwhelmingly negative" toward the plaintiff. This case is important not only for the results of the case, but the use of a relatively unsophisticated market research method to make the decision. The court of appeals, in reviewing the district court opinion, stated:

Evidence showed a particular concern with appearance in television; the district court stated that reasonable appearance requirements were 'obviously critical' to KMBC's economic well-being; and even Craft admitted she recognized that television was a visual medium and that on-air personnel would need to wear appropriate clothes and makeup...while we believe the record shows an over emphasis by KMBC on appearance, we are not the proper forum in which to debate the relationship between news gathering and dissemination and considerations of appearance and

presentation—i.e., questions of substance versus image—in television journalism. (Craft v. Metromedia, Inc. 1985)

The Abercrombie & Fitch case also comes very close to the issue of employees' *looks* in building a store image. However, the lawsuit against A&F is grounded not on discrimination on the basis of looks or appearance. Rather, it alleges race and country of origin discrimination. The "Hooters' look" concept, as discussed earlier, relied heavily on the Hooters' requirement that wait staff wear cutoff shirts, tank tops, and orange jogging shorts. The *appearance* evidence was not addressed by the court because the case was settled. Hooters anecdotally may use appearance as a requirement for employment, and certainly clubs that employ exotic dancers or other types of performers use looks as a criterion, but no legal cases were found where appearance standards were central to arguments.

Harrah's

The arguments in a case currently pending with the U. S. Court of Appeals for the Ninth Circuit, *Jespersen v. Harrah's Operating Co.*, deal with issues of appearance standards, sex discrimination, and the *essence of the business*. Bartender Darlene Jespersen was fired by Harrah's after 20 years of service for refusing to comply with its new dress and appearance code which went to great lengths to prescribe dress and make-up standards for female bartenders. Jespersen's suit alleged that a rule requiring female servers to wear makeup violates federal law banning sex discrimination in the workplace because men were not subject to the same standard. Normally, differential grooming policies between men and women are deemed nondiscriminatory by the courts when the policy is based on societal norms and does not place a greater burden on one sex. Briefs in the case addressed the question of whether the interest of employers in promoting and protecting a business image trumps the right of employees to be free from what would otherwise be discrimination. (*Jespersen v. Harrah's Operating Co.* 2005)

Harrah's and the American Hotel & Lodging Association have been careful not to argue this is a BFOQ case, probably because it would be difficult to demonstrate that make-up on female bartenders is a significant part of the *essence of the business*. Instead the arguments are for the right of retailers to have different dress and grooming standards for men and women based on societal norms. The National Employment Lawyers Association is intent on making it an "*essence*" case. The Association's argument is that the essence of the business is "...courteous, professional, and competent provision of beverages," which does not necessitate "...that women alone wear prescribed make-up and present a contrived, ultra-feminine appearance at all times" (Dorrian 2005).

Clearly in the Harrah's grooming/appearance case it would be difficult to connect make-up on bartenders, male or female, with the *essence of the business*. The defendants, therefore, probably are wise to avoid the BFOQ defense, notwithstanding the importance of employees' appearance to the totality of the image retailers wish to present. In cases where the BFOQ argument is salient, the problem remains, of course, **how** employee attributes can be demonstrated to be an integral part of the *essence of the business*. In the following sections, we consider economic and market research approaches for determining the strength of consumers' market-revealed preferences and relate them to the *essence* argument.

ECONOMIC AND MARKET APPROACHES FOR DEFINING THE ESSENCE OF THE BUSINESS

A method for defining the *essence of the business* is to focus on the bundle of attributes offered (goods, services, image, etc.) by a particular organization. The logic is that if two sellers offer the same bundle then the same price would be charged. If one seller has one difference in the bundle, then the price difference in the two sellers would reflect the value of that attribute. Price difference, then, would roughly reflect the consumer's willingness to pay more for the item under consideration. For example, if *Playboy*

magazine offered its readers a bundle of articles, reviews, provocative pictures, and cartoons for \$5.00 and another magazine offered similar features without provocative pictures for \$2.00, we may infer that the readers of *Playboy* magazine are paying \$3.00 for the provocative pictures. Since a substantial amount of *Playboy* magazine's revenue is generated from pictures, and the loss of that revenue will result in a business failure, provocative pictures are an integral part of the *essence* of *Playboy* magazine, at least in cultures where provocative pictures are protected and accepted.

In the case of Southwest's Love Air, the court acknowledged that the company used sex and sex appeal as a part of its product offering but concluded, without analyzing the airline's price structure, that sex is not the *essence of its business*. If Southwest, before the court's decision, charged more than similar airlines for its service, the price difference would reflect consumers' willingness to pay more for the sexy flight attendants and other Love Air accoutrements.

The pitfalls of the above reasoning to determine the *essence of the business* are obvious. Most sellers, including retailers, offer complex bundles of attributes. In almost all cases, therefore, identifying competitors that satisfy the *ceteris paribus* assumption is difficult, if not impossible. The price inquiry also does not take into account the price elasticity of demand for the product in question.

In the situation where employee physical and demographic attributes are argued to be salient and a basis for discrimination in hiring, another approach is needed. By examining the use of selected employee physical and demographic attributes by competitors in the relevant product market and determining if they are an integral part of the image of competitors, one could conclude the attributes are the, or a major part of the, *essence of the business*. The method outlined below takes into account the the cross-elasticity of demand among products.

The Supreme Court, in consideration of claims under various antitrust statutes, the United

States Department of Justice, and the Federal Trade Commission guidelines concerning horizontal acquisitions and mergers all use the notion of cross elasticity of demand for defining relevant product markets (Merger Guidelines 1992).

Cross elasticity of demand measures the extent to which various commodities are related to each other. The closer two commodities are substitutes, the greater is the size of the cross-elasticity coefficient. Cross elasticity of demand is used frequently by the government in the enforcement of antitrust laws for defining the boundaries of an industry. The analysis, then, focuses on the question of whether a firm has a monopoly power in the market. If the firm imposes a "small but significant and nontransitory" price increase, say five percent, and consumers respond by switching to another product, then that product is a substitute and should be entered into the hypothetical monopoly domain. Next, the same question will be asked: if the monopoly participants impose a "small but significant and nontransitory" price increase, will consumers switch to another product? If the answer is affirmative, that product will be included in the monopoly domain. This process will continue until consumers stop switching to a different product. When consumers stop switching to another product in response to a price increase, the boundaries of the market are defined. Once the boundaries of the relevant market are defined, an evaluation can be made as to whether an employee physical or demographic attribute(s), such as sex or religion, is a key element of all of the products in the market. If it is, then sex or religion is integral to the *essence of the business* and can be used as a BFOQ.

The obvious issues associated with this method have to do with measurement. Our argument is, however, that consumer researchers frequently handle this type of problem. For example, experimental research designs allow for manipulation of variables (the attributes of employees and other retailer controllable variables) in such a way that, at the very least, behavioral intentions for combinations of attributes can be determined. Moreover,

conjoint analysis has long served market researchers who need to understand the tradeoffs consumers are willing to make among attributes. A conjoint study produces consumer part worth utilities for product attributes to help marketers better understand consumer choice and tradeoffs consumers are willing to make. If topless females in a topless bar are the *essence of the business* then conjoint part worth utilities would reflect that. If a part worth were to be 1.0 for any attribute (the highest possible), that attribute could be said to be necessary or the *essence of the business*—the disjunctive consumer decision making is validated by conjoint analysis. In other words, in the topless bar case, if a part worth were 1.0, that would be evidence that topless females are the *essence of the business*. Conjoint analysis gives the retail decision maker not only a feel for tradeoffs the consumer is willing to make, but also tradeoffs the consumer is unwilling to make. Tradeoffs the consumer is unwilling to make can define the *essence of the business* for retailers and can be powerful evidence in BFOQ cases.

Financial forecasts based upon these methods can help establish, to the courts and others, the role some employee attributes play in the viability of the business and, therefore, the *essence of the business*. Marketers have faced similar issues when asked to justify price differences for products that are essentially the same, but offered to the market as different brands. The criterion long-used in such cases requires the organization, if called upon, to demonstrate that the market perceives the two brands as different products, therefore not injuring competition. If research can establish differences in perception in such cases, different prices are justified (Mayer, Mason and Orbeck 1970). Of course, these types of analyses can have external and other validity challenges, but they would at least allow retailers to use more than anecdotal evidence in defending employee attributes as integral to essence and viability.

RECOMMENDATIONS FOR RETAILERS IN BFOQ SITUATIONS

Retail strategists and tacticians should keep in mind that the ultimate goal of Title VII,

consumer preferences notwithstanding, is to create fairness for the purpose of maximizing social welfare. Discrimination in the workplace assuredly imposes a social cost for the targeted group and society as a whole. Circumstances exist, however, where allowing some discrimination-based social cost will result in an increase in social welfare. The courts have viewed this as the moral equivalent of the utilitarian “greater good” argument. In other words, BFOQ defenses for retailers are successful when it can be demonstrated that the social benefit of discrimination (preserving a going concern) outweighs its social costs (some discrimination based on the *essence of the business*). Retailers contemplating using employee characteristics for creating or significantly contributing to image should, particularly when the *essence of the business* is not clear, substantiate the activity with economic analysis and market research. A good starting point is to compare the firm’s price structure with its competitors for the purpose of determining if the firm’s prices are in any way reflections of consumers’ preferences for a given employee attribute. Retailers faced with discrimination allegations should also be in a position to show the court that cross elasticity of demand suggests that the employees’ attributes are *sine qua non* to the *essence of the business*. To accomplish this, long-used market research methods, such as experimental designs and especially conjoint analysis, which focus on and establish consumer tradeoffs, can be powerful and helpful tools for the retailer.

Retail store image is multi-dimensional. Clearly, in some cases, employee attributes play a role in image. The issues retail organizations must be willing and able to face are specificity, necessity, and demonstrability: 1) Can the retailer be specific about the employee attributes needed to perform the job? 2) Are employee attributes really a necessary condition for viability of the retail organization? And, if so, 3) can the retailer demonstrate that necessity with economic analysis and/or market research if challenged by employees who were discriminated against based on attributes that are normally protected?

Justifiable job discrimination is always a highly charged and difficult issue. The trend thus far in BFOQ-related legal challenges is for retailers to hope suits do not arise, to react only if they do, and to settle rather than risk a court-mandated standard. We hope that the discussion above will stimulate organizations to anticipate and prevent problems and challenges by being proactive through the use of widely-used and available economic analyses and market research methods.

REFERENCES

- AFjustice (2004), "Discrimination Lawsuit Filed Against Abercrombie and Fitch Co." Retrieved November 2004 from www.afjustice.com.
- AFjustice (2005), "\$40 Million Paid to Class Members in December 2005 in Abercrombie & Fitch Discrimination Lawsuit Settlement," Retrieved February 2005 from www.afjustice.com.
- Age Discrimination in Employment Act (1967), Public Law, No. 90-202, 29 U.S.C. 621.
- Americans with Disabilities Act (1990), Public Law, No. 101-336, 42 U.S.C. 12101.
- Bluestreak Media (2004), *Bona Fide Occupational Qualification (BFOQ)*, Retrieved March 21, 2006, from <http://www.abc4.com/guides/employment/guide.aspx?guide=Discrimination>.
- Burstein, Joshua (1998), "Testing the strength of Title VII sexual harassment protection: Can it support a hostile work environment claim brought by a nude dancer?" *Review of Law and Social Change*, 24, no. 2: 271-314. Retrieved March 21 2006, from <http://web.lexis-nexis.com>.
- Cantor, Rachel L. (1999), "Consumer Preferences for Sex and Title VII: Employing Market Definition Analysis for Evaluating BFOQ Defenses," *The University of Chicago Legal Forum*, 1999: 493. Retrieved March 21 2006, from <http://web.lexis-nexis.com>.
- Civil Rights Act (1964), Public Law, No. 88-352, 42 U.S.C. 2000(e).
- Civil Rights Act (1991), Public Law, No. 102-166, 42 U.S.C. 1981.
- Craft v. Metromedia, Inc. (1985), (766 f. 2d 1205) C.A.8.
- Dorrian, P.F. (2005, July), "Bartender's Refusal to Wear Makeup Could Change Face of Discrimination Law," *Bulletin to Management*, 56(28). Retrieved August 26, 2005, from <http://www.bna.com/products/hr/btmn.htm>.
- Equal Pay Act (1963), Public Law No. 88-38, 29 U.S.C. 206(d).
- Fagan v. National Cash Register Co. (1973), 157 U.S. App. D.C. 15, 481 F. 2d 1115, 1124-25 (D.C. Cir. 1973).
- Jespersen v. Harrah's Operating Co. (2005), 9th Cir., No. 03-15045, oral argument 6/22/05).
- La Von Lanigan v. Bartlett & Co. Grain (1979), 466 F. Supp. 1388, 1392 (W.D. Mo. 1979).
- Martineau, Pierre (1958), "The Personality of the Retail Store," *Harvard Business Review*, 36, (January-February): 47-55.
- Mayer, Morris L., Joseph B. Mason, E.A. Orbeck (1970), "The Borden Case--A Legal Basis for Private Brand Price Discrimination," *MSU Business Topics*, Winter, vol. 18, no. 1: 56-63.
- McGowan, Sharon M. (2003), "The Bona Fide Body: Title VII's Last Bastion of Intentional Sex Discrimination. (Bona Fide Occupational Qualification)," *Columbia Journal of Gender and Law*, 12, no. 1: 77-127. (January 1). Retrieved March 21 2006, from <http://web.lexis-nexis.com>.
- Merger Guidelines (1992), United States Department of Justice and Federal Trade Commission, Horizontal Merger Guidelines § 1 ("Market Definition, Measurement and Concentration").
- Rehabilitation Act (1973), Public Law No. 93-112, 29 U.S.C. 791.

DOGMATISM AND ONLINE CONSUMPTION: EXAMINING THE MODERATING ROLE OF TRUST AND VALUE OF EXCHANGE OUTCOME

DHEERAJ SHARMA, Athabasca University

Past researchers have used various personality traits to predict consumption behavior (Childers, Carr, Peck and Carson 2001; Kassirjian 1971; Kassirjian and Sheffet 1981). One such personality trait is dogmatism. However, past research exploring the influence of dogmatism on consumption behavior has yielded mixed results. This study examines the influence of consumer dogmatism on intent to consume online. Additionally, the moderating role of trust in the e-tailer and value of the exchange outcome in the relationship between dogmatism and intent to consume online is explored. The results indicate that the impact of dogmatism on intent to consume online is mitigated by trust in the e-tailer and perceived value of exchange outcome.

INTRODUCTION

Internet use in the market place has become increasingly ubiquitous in the last decade. With increasingly more companies and individuals using Internet for consumption of products and services (Reisenwitz and Cutler 1998), the online consumption is expected to continue to grow to \$105 billion worldwide within five years and the U.S. online shopping population is estimated to double from 66 million people in 2002 to 132 million by 2011 (Jupiter 2006). This surge in online consumption is particularly spurred by younger American adults, who prefer more e-tailing compared to traditional retailing (Crabtree 2004). Recent research indicates that 31 percent of the population between 15-39 years prefers to consume online, whereas, only 16 percent of the population over 65 years prefers to engage in online consumption (Raugust 1999).

Past researchers have used various personality traits to predict consumption behavior (Childers, Carr, Peck and Carson 2001; Kassirjian 1971; Kassirjian and Sheffet 1981). One such personality trait is dogmatism. Dogmatism captures individual's openness or reticence towards new and unfamiliar products, services, or/and ideas. Past research exploring

the influence of dogmatism on consumption behavior has yielded mixed results.

Reisenwitz and Cutler (1998) have empirically demonstrated that there was no difference in dogmatism scores of users and non-users of Internet. Furthermore, Raju (1980) failed to find support for a relationship between dogmatism and arousal seeking. Contrarily, Goldsmith (2002; Hui and Wan 2004; Roy and Ghose 2005) suggest that there is a negative relationship between dogmatism and online consumption. In concurrence, Schiffman and Kanuk (2006) suggest that dogmatism is a significant discriminant across innovators and non-innovators.

Roy and Ghose (2005) argue that the role of intervening variables between dogmatism and consumption decision need further exploration. Consequently, in this study, we examine the moderating role of trust in e-tailer and perceived value of exchange outcome in the relationship between dogmatism and online consumption. Previous research indicates that consumers are more likely to purchase from the web if they have a higher degree of trust in the web-site or/and company (Corbitt, Thanasankit and Yi 2003; Gefen, Karahana and Straub 2003) and the perceived value of the exchange outcome has been found to be an important predictor of online consumption (Pavlou and Fygenon 2006).

The moderating role of trust and perceived value of the exchange outcome can be explained by two major theories. First, expected utility theory (EUT) suggests that a decision maker chooses a risky and uncertain behavioral option by evaluating the expected value of the outcome from behavior (Fishburn 1989; Friedman and Savage 1952). Second, social exchange theory (SET) suggests that individuals will engage in a transaction that they believe is transacted fairly (Blau 1964).

The primary purpose of this research is multi-fold. First, we examine the influence of dogmatism on online consumption intentions. Second, we examine the moderating role of trust and perceived value of the exchange

outcome on the relationship between dogmatism and online consumption intentions. Third, this study offers prescriptive and descriptive insights for industry by providing a richer understanding of the consequences of dogmatism on online consumption behavior and factors that can mitigate the influence of dogmatism on online consumption behavior.

This is particularly important, in view of the fast aging US population. Exhibit 1 provides marketing literature that embraces numerous studies demonstrating statistically significant positive relationship between age and dogmatism.

EXHIBIT 1
Studies on the Relationship between Age and Dogmatism

Sample Studied	Type	Variables Examined	Results	
Carter and Funk (1978)	County Extension Workers Primarily Responsible for Adult Education Programs in Five States	Empirical	Dogmatism Job Performance	The study demonstrates a slight positive relationship between age and dogmatism.
Enright (1983)	A College Student Sample versus a Sample of Randomly Selected Elderly Individuals	Empirical	Beliefs Discrepancy Demographics Dogmatism	Results indicate that the elderly sample was significantly higher in dogmatism than the college sample.
Heikkinen (1975)	Students in Counseling at an Eastern University.	Empirical	Teaching Experience Close-mindedness Demographics	Findings verify that age is significantly related to closed-mindedness.
McFarland and Sparks (1985)	Randomly Selected High School Students, College Students and Adults of Two Mid-Western States.	Empirical	Self-Consciousness Dogmatism Self-Monitoring Social Desirability	Results authenticate a positive and linear relationship between age and dogmatism scores of individuals.
Pugh and Neumann (2006)	Not Applicable	Conceptual	Dogmatism Demographics	Study concludes that there is positive relationship between age and dogmatism.
Schmitz (1985)	Randomly Selected Male and Female College Students	Empirical	Dogmatism Demographics	Results indicate a significant and positive relationship between age and closed mindedness.
Steininger (1975)	Random Sample of High School Students, Introductory Psychology Students and Senior Psychology Majors	Empirical	Derogation Dogmatism Demographics	Findings of the study illustrate that dogmatism increases with age
Vaghefi (1980)	Managers in an Iranian Appliance Industry	Empirical	Dogmatism Modernization	Study signifies that managers' dogmatism scores increase by age.
Wittmer and Webster (1969)	Students in a Southern University	Empirical	Teaching Experience Dogmatism	Age and teaching experience seem to influence dogmatism. Dogmatism tends to increase with age.

THEORETICAL FRAMEWORK

Online Consumption

The interactive nature of the worldwide web facilitates a permanent dialogue with the consumer and represents significant means to explore new sales opportunities (Rodriguez and Ryan 2006). Online consumption, which is the act of purchasing or consuming via the worldwide web, significantly differs from the experience created by the physical retail store. It is the remote nature of the exchange and interactions that distinguish online consumption from traditional consumption (Newman 2005).

Online consumption could be considered the combination of both online information gathering and online purchasing. That is, consumers really can “consume” two different things online: information and products. These two acts are required for the adoption of e-commerce (Pavlou and Fyngenson 2006). Recent research in the field of online consumption has specifically focused on the conversion behavior of individuals online. Conversion behavior is the probability that an online shopper or website visitor will actually make a purchase. Online retailers optimize their websites to utilize consumer data as a way to characterize online customers based on their previous purchasing habits, click path, and buying patterns (Moe and Fader 2004).

Personal information of online shoppers has been collected via online consumption for many years. Possibility that unknown third parties exploit this personal information is referred to as security risk. Pavlou and Fyngenson (2006) argued that security risk can act as a deterrent to online consumption. Furthermore, Yoon (2002) also authenticated that perceived security of a web-site is a crucial factor affecting consumers’ online purchase decision. Marketing literature also embraces numerous studies of the effects of personality variables on online consumption behavior of individuals. Recent researches indicate that consumer innovativeness has a direct and positive influence on consumers’ web retailing

(Goldsmith 2002; Hui and Wan 2004). Additionally, Hoffman, Novak and Schlosser (2003) signify that there is a positive relationship between internal locus of control and online shopping.

Dogmatism

Dogmatism is characterized by reluctance to accept new ideas (Shimp and Sharma, 1987). Fletcher and Krayner (1986) referred to dogmatism as the resistance to change a system of conviction. Rokeach (1960) characterized highly dogmatic individuals by their closed belief systems and imperviousness to change. Other terms that surface in describing dogmatic individuals are anti-democratic, intolerant, narrow-minded, authoritarian and rigid (Wald 1992).

Dogmatic individuals are typically uncomfortable with the unfamiliar and approach it defensively (Schiffman and Kanuk 2006). Blake, Perloff and Heslin (1970) argue that the highly dogmatic person is not only more discomforted by a stimulus’ ambiguity or uncertainty but also more likely to easily accept the advice of prestigious communicators. Conversely, low dogmatic individuals are consistently comfortable with the change and vagueness, have more open beliefs systems and evaluate information on a more objective basis (Reisenwitz and Cutler 1998).

Dogmatic individuals avoid behavior which may result in unfamiliar and uncertain outcomes (Blake, Perloff and Heslin 1970). Specifically, dogmatic consumers perceive higher risks inherent within unfamiliar purchase situations (Durand, Davis and Bearde 1977). Online consumption, an extremely unaccustomed way to shop, involves immense perceived risk for highly dogmatic consumers. Perceived risks include; privacy infringement, system security, and fraudulent behavior of the merchants, credit card fault, and product risk (Chang, Cheung and Lai 2004). Apparently, perceived level of risk has a significantly negative influence on the attitude towards online shopping (Ahuja, Gupta and Raman

2003). Hence, the more dogmatic an individual, the less likely he or she is to engage in online consumption.

As a personality variable, dogmatism also provides a sound theoretical and empirical foundation for predicting new product acceptance (Vacchiano, Strauss and Hochman 1969). Highly dogmatic mental systems represent a cognitive-psychodynamic network of defense against ambiguity (Rokeach 1960). Reisenwitz and Cutler (1998) suggest that highly dogmatic consumers are more likely to choose established or traditional, rather than innovative, alternatives. Thus, dogmatics are less likely than non-dogmatics to try new products or new shopping means. Consequently, the newness of the online consumption and unfamiliarity may prevent a dogmatic individual from exploring the online consumption.

Dogmatic individuals are characterized by closed-mindedness and rigidity in accepting change. Particularly, highly dogmatic individuals are more likely to respond to anything that is different, unfamiliar, or unexpected in a negative way (Reisenwitz and Cutler 1998). Online consumption experience is significantly different from traditional consumption experience (Chang and Samuel 2004). Additionally, online consumption consistently involves gathering specific pre-purchase information. Previous research evidences that highly dogmatic consumers tend to seek significantly less pre-purchase information than those of non-dogmatic consumers (Lambert and Durand 1997). Accordingly, the more dogmatic a person is the less likely he or she would be receptive to online shopping. Existing research on the topic of online consumption and consumer dogmatism supports this theory.

Online Consumption and Consumer Dogmatism

Consumer experience with traditional shopping is generally greater than online. Past research suggests that many consumers are not fully

comfortable with the online purchasing process (Chang, Cheung and Lai 2004). Wang and Yang (2007) argue that consumers' attitudes and their perceived control beliefs toward online shopping influence their intentions to actively participate in the purchase of online products. Additionally, Moe and Fader (2004) conclude that consumers' purchase-related anxiety can result in abandonment of online shopping.

Traditional (brick and mortar) consumption models involve immediate results. The consumers leave the store with their merchandise and are confident that their transactions meet their needs. Nevertheless, online consumption involves a timing lag between the point of purchase and the time of delivery. Online consumption, therefore, lacks the instant gratification that traditional means of consumption allow (Van Dijk 2007). Consequently, delayed gratification may impel dogmatic consumers to refrain from online consumption.

Dogmatism refers to a person's inflexibility or lack of openness to the new and unfamiliar. Decisively, online shopping is still a new phenomenon for many consumers. Previous researches indicate that highly dogmatic consumers are eminently resistant to novelty (Jacoby 1971) and less innovative than those who are less dogmatic (Coney 1972). Thus, dogmatism acts as a trait barrier, deterring individuals from online consumption.

Online consumption consistently involves higher degrees of risk and ambiguity. The more persistently ambiguous or risk laden the situation, the more a dogmatic individual will exhibit closed mindedness in order to avoid uncertainty and ambiguity (Rebhun 1966; Sticht and Wayne 1966). This view is supported by existing research which suggests that a high degree of uncertainty and risk associated with online consumption may lead to the development of negative attitude towards online consumption (Li 2001). Based upon both theoretical rationale and the weight of past empirical evidence, it is posited that highly

dogmatic individuals are less likely to engage in online consumption.

H₁: Dogmatism is negatively related to intent to consume online.

Moderating Role of Consumer Trust

Consumer trust, a multifaceted or multidimensional construct, is defined as the expectations held by the consumer that the service provider is dependable and can be relied on to deliver on its promises (Sabol, Singh and Sirdeshmukh 2002). Specifically, consumer trust in Internet shopping is the opinion held regarding security, clarity in the transactions carried out with companies on the Internet, and in their commitment to respect what has been agreed upon with the consumers (Urban, Sultan and Qualls 2000). Creating consumer trust is highly crucial for web retailers since it can easily be converted into customer loyalty (Lopez, Luna and Martinez 2005).

Yoon (2002) argues that web-site trust considerably influences online purchase intention. Concurrently, Gefen, Karahanna and Straub (2003) confirm a positive correlation between consumer trust in a company and web-site and repeated online shopping. Corbitt, Thanasankit and Yi (2003) suggest that online visitors are more likely to purchase from the web if they perceive a higher degree of trust in e-commerce and online retailers. Referring to online consumption as an extension of traditional consumption behavior, Pavlou and Fygenon (2006) also stress that consumer trust is an important determinant of e-commerce adoption.

Rotton, Blake and Heslin (1977) argue that highly dogmatic individuals are more likely to evaluate any message according to the reputation and trustworthiness of the source. Past research also evinces that highly dogmatic individuals are not only more likely to rely heavily on pronouncements of reliable authorities (Ehrlich and Lee 1969) but also more likely to easily accept the advice of prestigious communicators (Blake, Perloff and

Heslin 1970). Furthermore, highly dogmatic individuals consistently utilize purchasing means in which they perceive higher levels of trust (Jacoby 1971). Consequently, dogmatic individuals with a high degree of perceived trust in an e-tailer are anticipated to be more likely to engage in online consumption compared to those with low degree of perceived trust. This is supported by social exchange theory (SET), which suggests that trust is an important variable in overcoming ambiguity laden online environment and facilitating exchange (Luo 2002).

H₂: The relationship between dogmatism and intent to consume online is moderated by trust in the e-tailer.

Moderating Role of Value of Exchange Outcome

Exchange outcome, by definition, refers to the results of any commercial transaction, which includes both monetary and non-monetary results. Specifically, the perceived value of an exchange outcome is the anticipated favorable consequences of the act of purchasing (Moorman, Deshpande and Zaltman 1992). Pavlou and Fygenon (2006) argue that perceived convenience and value of the exchange are definitive determinants stimulating online consumption. Previous studies precisely include that consumers are more likely to purchase if they perceive higher value in the exchange outcome (Compeau and Grewal 1998; Grewal, Iyer, Krishnan and Sharma 2003; Shoham and Brencic 2005).

Internet channel offers value for the consumers and provides newer ways to create and deliver such value. Research indicates that about 92 percent of consumers compare prices and 85 percent try to find the highest value (in terms price, convenience, and reliability) when shopping online, suggesting that perceived value is a considerable factor in drawing people online (DeMarco 2005). Finally, Overby and Lee (2006) assert that perceived utilitarian value of an exchange outcome is strongly and positively related to online consumption.

Highly dogmatic individuals are generally characterized by their perception of the unfamiliar, as leading to sub-optimal outcomes (Rebhun 1966). Therefore, dogmatic individuals are insistent on employing purchasing means in which they perceive a higher value (Jacoby 1971). Consequently, dogmatic individuals, who perceive higher value in the exchange conducted online, are anticipated to be more likely to engage in online consumption than those who perceive low value in the exchange. This view is in harmony with expected utility theory (EUT) which suggests that expected value of the outcome of behavior influences the intent to consume (Fishburn 1989; Friedman and Savage 1952).

H₃: The relationship between dogmatism and intent to consume online is moderated by perceived value of exchange.

METHOD

Sample. A list of members of a non-profit organization in a mid-size mid-western city was obtained. The members of the organization were informed at their monthly meeting that they would be mailed a survey. The contact pool consisting of 465 respondents developed and the survey instrument was mailed to them. Participation was encouraged during the following monthly meeting. A total of 236 completed questionnaires were received out of which 17 were incomplete. Thus, 228 usable questionnaires were available for analysis

(response rate = 45 percent). There were 142 males and 86 female respondents. The median age of the participants was 34 years. Participation was completely voluntary. The respondent characteristics are reported in Table 1.

Measures. Dogmatism was measured using a nineteen item scale developed by Shimp and Sharma (1987). A four item scale was used for measuring trust in seller. Exchange outcome was measured by adopting scale developed by Oliver and Swan. Intent to consume online was measured by adopting Baker, Levy and Grewals' (1992) three-item scale for measuring purchasing intentions.

Measurement Assessment Procedures

Confirmatory Factor Analysis. A confirmatory factor analysis (CFA) is first conducted. The CFA model had 33 items— 19 items of dogmatism scale, 3 items of intent to consume online, 7 items of exchange outcome, and 4 items for trust in seller. The initial model fit was not optimal. Hence, two error terms belonging to the scale of exchange outcome and two-pairs of error terms related to dogmatism were allowed to correlate. None of the items could be deleted from these scales without sacrificing the validity of the concerned constructs (Byrne, Shavelson and Muthen 1989). The resulting fit indices demonstrated a good fit: $X^2=1297.188$, $df=486$, $GFI=0.91$, $AGFI=0.88$, $CFI=0.97$, $RMSEA=0.048$, $PCLOSE=0.956$, and $HOELTER's$ 0.05 and

TABLE 1
Sample Descriptive Statistics

GENDER			INCOME			AGE		
	Frequency	Percent		Frequency	Percent		Frequency	Percent
Male	142	54.3	Less than \$25,000	0	0	18-25	4	6.46
Female	86	45.7	Between \$25,000 and \$50,000	11	15.1	26-35	49	19.37
			Between \$50,001 and \$70,000	63	38.4	36-45	117	46.38
			Between \$75,001 and \$100,000	119	35.0	46-55	53	23.48
			Above \$100,000	35	8.80	>56	25	4.31
Total	228	100.0	Total	228	100.00	Total	228	100.0

0.01 were 202 and 225 respectively. The GFI and AGFI values of >0.90 and $=0.90$ were indicative of a good fit. Also, a $RMSEA < 0.05$ shows a good fit. The $PCLOSE > 0.50$ suggests $RMSEA$ is good in the population. Lastly, Hoelter's .05 indexes was < 200 indicating that the sample size is adequate.

Convergent and Discriminant Validity, AVE, and Composite Reliability. Results for the analysis showed that all the critical ratios of all the indicators were significant (critical ratios > 1.96 , $p < 0.05$) and ranged from 6.114 to 94.341. These results were taken as evidence of acceptable convergent validity (Gerbing and Anderson 1988). The average variance extracted (AVE) for the constructs of dogmatism, exchange outcome, trust, and intent to consume were 0.68, 0.72, 0.69 and 0.89 respectively, while the composite reliabilities were 0.69, 0.74, 0.73, and 0.86 respectively (Bagozzi and Yi 1988). The test for discriminant validity was supportive, that is, no confidence intervals (\pm two standards errors) for the estimated correlations for the constructs included 1.0 (Anderson and Gerbing 1988). To further test for discriminant validity, the AVE for each factor was compared with and exceeded the squared correlations between that factor and all other factors (See Table 2).

Common Method Bias. Since the data for this study were obtained from a single survey, common method variance was possible. Following Podsakoff and Organ (1986), Harman's one-factor test was used to examine the common method bias. In this test, all variables were hypothesized to load on a single factor representing the common method. Principal component factor analysis was conducted on the data. The results of the analysis revealed four factors each with an eigenvalue greater than 1.0. All factors together accounted for 78.42 of the total variance. The first factor accounted for 29.14 percent. Hence, common method bias was not a serious concern in this study.

TABLE 2
Descriptive Statistics,
Intercorrelations and Reliabilities

Variables	1	2	3	4
1. Dogmatism	-			
2. Trust	.34**	-		
3. Exchange outcome	.38**	.26*	-	
4. Intent to Consume	.54**	.31**	.37**	-
Mean	4.06	5.68	5.94	5.26
Standard Deviation	1.25	.98	.96	1.02
AVE	0.68	0.69	0.72	0.89
Composite Reliability	0.69	0.73	0.74	0.86
+p<.10; *p<.05; **p<.01 (one-tailed test)				

Hypotheses Test

In order to test the hypotheses, a structural model was estimated with four constructs: dogmatism, the interaction term of dogmatism and exchange outcome, interaction term of dogmatism and trust; and intent to consume. For the interaction term, the procedure for analysis of interaction terms in structural equation models recommended by Aiken and West (1991; Ping 1995) was employed. First, the items of dogmatism and trust were mean centered. Then the mean-centered items were cross-multiplied to create the interaction term (Interaction term 1). Similarly, the mean-centered items of dogmatism were multiplied with mean-centered items of exchange outcome (Interaction term 2). In the model, intent to consume was the lone endogenous construct, while the remaining three constructs were exogenous constructs. A model with the sample of 228 cases was analyzed. The fit indices demonstrated a reasonable fit: $X^2 = 1152.98$, $df = 486$, $GFI = 0.90$, $AGFI = 0.89$, $CFI = 0.96$, $IFI = 0.94$, $NFI = 0.92$, $RMSEA = 0.049$.

The path coefficient for dogmatism—intent to consume link was significant (estimate = -0.108, $t = -2.568$, $p\text{-value} = 0.008$). That is, Hypothesis 1 was supported. Thus, we find the main effect of dogmatism on intent to consume online.

TABLE 3
Hypotheses Test Results

Fit Indices and Hypotheses	Fit Indices scores	t	p-value	Comment
χ^2	1152.98			
df	486			
GFI	0.90			
AGFI	0.89			
CFI	0.96			
RMSEA	0.049			
H ₁ : Dogmatism-->Intent		-2.568	0.008	supported
H ₂ : Dogma*Trust-->Intent		2.101	0.036	supported
H ₃ : Dogma*Outcome-->Intent		2.006	0.042	supported

Intent=Intent to Consume

Dogma*Trust =Interaction term between dogmatism and trust in seller

Additionally, Hypothesis 2 and Hypothesis 3 were both supported. The interaction term 1--intent to consume link was significant (estimate=0.149, t=2.101, p-value=0.036). That is, the influence of dogmatism on intent to consume online is contingent upon trust. Also, the interaction term 2—intent to consume link was significant (estimate=0.112, t=2.006, p-value=0.042). That is, the influence of dogmatism on intent to consumer online is contingent upon exchange outcome. In other words, trust and perceived value of exchange outcome mitigate the influence of dogmatism on intent to consume online. The results of the hypotheses test are summarized in Table 3.

DISCUSSION

The findings of the research indicated a negative relationship between dogmatism and online consumption. Results showed that individuals with low dogmatism tend to engage in online consumption significantly more than individuals with high dogmatism scores. These results are in concurrence with previous research, which suggests that low dogmatic consumers are more likely to participate in unfamiliar purchase situations compared to high dogmatic consumers (Jacoby 1971; Durand, Davis and Bearden 1977). Online consumption involves tremendous perceived risk, including security risk, product risk and privacy infraction (Chang, Cheung and Lai 2004) and low dogmatic individuals are less likely to partake in purchasing activities involving higher levels of perceived risk

(Rebhun 1966; Sticht and Wayne 1966; Li 2001). Results of this research are in concurrence with these inquiries also.

Additionally, the results of the current study indicate that the relationship between dogmatism and online consumption is moderated by trust in the seller. Past research in psychology indicates that dogmatics consistently require the utilization of purchasing means such as a high level of trust in the seller to engage in consumption (Jacoby 1971; Coney 1972). Specifically, consistent with previous research, this study empirically demonstrated that the negative relationship between dogmatism and online consumption becomes weaker as the level of consumer trust increases (Lee and Turban 2001; Yoon 2002; Cheung and Lee 2006).

Lastly, results of this study indicate that the perceived value of the outcome of the exchange moderate the relationship between dogmatism and online consumption. Again, the results coincide with previous research, which contends that consumers are more likely to purchase online if they anticipate receiving a higher value in the exchange outcome (Hackman et al. 2006). Thus, the negative influence of dogmatism on online consumption decreases if the individual perceives high value results by conducting an exchange online.

Overall, by demonstrating that the value of the exchange outcome and trust moderate the effect of dogmatism on online consumption behavior,

we reconcile the two opposing views: (1) dogmatism influences technology utilization and Internet usage (Goldsmith, 2002; Hui and Wan 2004; Roy and Ghose 2005) and (2) the effect of dogmatism is inconsequential (Raju, 1980; Reisenwitz and Cutler 1998). This study shows that the negative relationship between dogmatism and online consumption becomes weaker as the level of perceived value of exchange outcome or/and trust increases.

IMPLICATIONS

This research is particularly important in view of America's aging population. The age group of 55 year or over is growing at a faster rate than any other U.S. population age group. According to the U.S. Census Bureau, the number of Americans older than 55 is expected to increase from 59 million in 2000 to a projected 74 million in 2010, which will amount to 25 percent of the U.S. population in 2010, up from 21 percent in 2000 (He, Sengupta, Velkoff and DeBarros 2005).

The findings of this study offer interesting implications for both theory and practice. This study demonstrates that dogmatism is an important personality trait in understanding online consumption behavior. The results of this study concur with Strickland and Weddell (1972) who argue that dogmatism strongly influences consumer attitudes. The research presented validates that non-dogmatics are more receptive to consume online than dogmatics. In other words, an individual, who is more open to new ideas and comfortable with ambiguity, obscurity, and risk, is more likely to buy online.

Understanding the association between dogmatism and online shopping would also assist marketers in designing promotional messages to highly dogmatic individuals, who have not adopted online consumption yet. Previous studies indicate that low-dogmatic consumers are more receptive to messages that accentuate factual differences and product benefits (Schiffman and Kanuk 2006). High dogmatics, on the other hand, relate better to

high status, authoritative, reassuring, and ego-boosting commercials (Reisenwitz and Cutler 1998).

Companies trying to captivate dogmatics must establish a high level of consumer confidence, either through heightened online security measures or through messaging and branding related to consumer security. Past research suggests that e-commerce consumers gauge Web vendors not in broad, sweeping terms, but in terms of particular attributes (McKnight, Choudhury and Kacmar 2002). The specific features, that consistently stimulate consumer trust, are perceived quality and security of the web site (Yoon 2002). Therefore, organizations should elegantly design their web pages to accentuate security of the online transactions.

Past research indicates that e-commerce creates value by aggregating buyers and sellers, creating time utility, and reducing transaction costs (Kaplan and Sawhney 1999). Also, value is an important factor that attracts individuals to consume online (DeMarco 2005). Consequently, companies should emphasize the higher value of online shopping, especially to attract highly dogmatic individuals. By augmenting the perceived value of outcome of online exchange, marketers will be able to aid consumption decision making for dogmatic individuals.

LIMITATIONS AND FUTURE RESEARCH

Any model is an abstraction from reality, and consequently we included only four constructs in our research. The data from this was obtained using a single survey of individuals who belong to an organization. Although, we tested for the common method bias, and found none, but still the study cannot be generalized beyond the current sample.

While this research looks specifically at consumer dogmatism, there are many other traits that could also be related to online consumption. Additional traits that warrant future research are venturesomeness and

experiential behavior. In specific circumstances, consumers may enjoy the online shopping process more than the functional value of the product (Andrews et al. 2007). In other instances, urgency or limited search time can drive the consumer's decision of whether to take their search online or offline. Wolfenbarger and Gilly (2001) concluded that 71 percent of all online purchases are pre-planned, meaning there are more goal-driven purchases than experiential purchases. Therefore, companies should aid potential customers during all pre-purchase stages of a consumers' buying process. They should stimulate customers' need recognition and assist them during their search. Moreover, companies should strive to project their product as the best alternative during the options evaluation phase by emphasizing dependability and quality. On the other hand, experiential buyers consistently enjoy auctions and bargain shopping (Wolfenbarger and Gilly 2001). Hence, the companies would stress the value of the exchange transaction, competitive prices and the experiential nature of buying online. Additional research is needed to determine the extent to which other marketing traits or attributes are associated with online consumption.

REFERENCES

- Ahuja, Manju, Babita Gupta and Pushkala Raman (2003), "An Empirical Investigation of Online Consumer Purchasing Behavior," *Communications of the ACM*, 46(12), 45-151.
- Aiken, Leona S., and Stephen G. West (1991), *Multiple Regression: Testing and Interpreting Interactions*, Newbury Park, CA: Sage Publications.
- Anderson, James C. and David W. Gerbing (1988), "Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach," *Psychological Bulletin*, 103(3), 411-423.
- Andrews, Lynda, Geoffrey Kiel, Judy Drennan, Maree V. Boyle and Jay Weerawardena (2007), "Gendered Perceptions of Experiential Value in Using Web-Based Retail Channels," *European Journal of Marketing*, 41(5/6), 640-658.
- Bagozzi, Richard P. and Youjae Yi (1988), "On the Evaluation of Structural Equation Models," *Journal of the Academy of Marketing Science*, 16(1), 74-94.
- Baker, Julie, Michael J. Levy, and Dhruv Grewal, (1992), "An Experimental Approach to Making Retail Store Environment Decisions," *Journal of Retailing*, 64(4), 445-460.
- Blake, Brian, Robert Perloff and Richard Heslin (1970), "Dogmatism and Acceptance of New Products," *Journal of Marketing Research*, 7(4), 483-486.
- Blau, Peter M., (1964), *Exchange and Power in Social Life*. New York, NY: John Wiley & Sons.
- Byrne, Barbara M., Richard J. Shavelson and Bengt Muthen (1989), "Testing the Equivalence of Factor Covariance and Mean Structures: The Issue of Partial Measurement Invariance," *Psychological Bulletin*, 105(3), 456-466.
- Carter, G.L. Jr. and Dennis C. Funk (1971), "The Relationship between Dogmatism Scores and Performance Ratings among Adult Educators," *Adult Education Quarterly*, 21(2), 46-55.
- Chang, Joshua and Nicholas Samuel (2004), "Internet Shopper Demographics and Buying Behaviour in Australia," *Journal of American Academy of Business*, 5(1/2), 171-176.
- Chang, Man K., Waiman Cheung and Vincent Lai (2004), "Literature Derived Reference Models for the Adoption of Online Shopping," *Information and Management*, 42(4), 543-559.
- Cheung, Christy and Matthew Lee (2006), "Understanding Consumer Trust in Internet Shopping: A Multidisciplinary Approach," *Journal of the American Society for Information Science & Technology*, 57(4), 479-492.

- Childers, Terry, Chris Carr, Joann Peck and Stephen Carson (2001), "Hedonic and Utilitarian Motivations for Online Retail Shopping Behavior," *Journal of Retailing*, 77(4), 511-535.
- Compeau, Larry D. and Dhruv Grewal (1998), "Comparative Price Advertising: An Integrative Review," *Journal of Public Policy and Marketing*, 17(2), 257-273.
- Coney, Kenneth (1972), "Dogmatism and Innovation: A Replication," *Journal of Marketing Research*, 9(4), 453-455.
- Corbitt, Brian, Theerasak Thanasankit and Han Yi (2003), "Trust and E-commerce: A Study of Consumer Perceptions," *Electronic Commerce Research & Applications*, 2(3), 203-216.
- Crabtree, Steve (2004), *Does Online Shopping Click with Young Adults?* Washington, DC: Gallup Poll News Service.
- DeMarco, Anthony (2005), "Internet Retailing: A Peek at the Future," *JCK*, 176(12), 78-84.
- Doney, Patricia M. and Cannon, Joseph P. (1997). "An Examination of the Nature of Trust in Buyer-Seller Relationships". *Journal of Marketing*, 61(4), 35-51.
- Durand, Richard M., Duane L. Davis and William O. Bearden (1977), "Dogmatism as a Mediating Influence on the Perception of Risk in Consumer Choice Decisions," *Journal of Psychology*, 95(1), 131.
- Ehrlich, Howard J. and Dorothy Lee (1969), "Dogmatism, Learning and Resistance to Change: A Review and a New Paradigm," *Psychological Bulletin*, 71(1), 249-260.
- Enright, Robert D. (1983), "Belief Discrepancy Reasoning in the Elderly", *International Journal of Aging and Human Development*, 17(3), 213-221.
- Fletcher, Susan and Karl Kraymer (1986), "Variations in Dogmatism and Leader-Supplied Information: Determinants of Perceived Behavior in Task-Oriented Groups," *Group and Organization Studies*, 11(4), 403-418.
- Fishburn, P.C. (1989), "Retrospective on the Utility Theory of von Neumann and Morgenstern," *Journal of Risk and Uncertainty*, 2, 127-158.
- Friedman, M. and L. Savage (1952), "The Expected Utility Hypothesis and the Measurability of Utility," *Journal of Political Economy*, 60, 463-474.
- Gefen, David, Elena Karahanna and Detmar Straub (2003), "Trust and Tam in Online Shopping: An Integrated Model," *MIS Quarterly*, 27(1), 51-90.
- Gerbing, David W. and James C. Anderson (1988), "An Updated Paradigm for Scale Development Incorporating Unidimensionality and its Assessment," *Journal of Marketing Research*, 25(2), 186-192.
- Goldsmith, Ronald E. (2002), "Explaining and Predicting Consumer Intentions to Purchase over the Internet: An Exploratory Study," *Journal of Marketing Theory and Practice*, 10(1), 22-28.
- Grewal, Dhruv, Gopalkrishnan R. Iyer, Radha Krishnan and Arun Sharma (2003), "The Internet and the Price-Value-Loyalty Chain," *Journal of Business Research*, 56(5), 391-398.
- Hackman, David, Siegfried Gundersan, Paul Wang and Kerry Daniel (2006), "Service Perspective on Modelling Intentions of On-Line Purchasing," *Journal of Marketing*, 20(7), 459-470.
- He, Wan, Manisha Sengupta, Victoria A. Velkoff and Kimberly A. DeBarros (2005), *65+ in the United States*, Current Population Report: Special Studies, Washington, DC: U.S. Census Bureau.
- Heikkinen, Charles A. (1975), "Another Look at Teaching Experience and Closed-mindedness," *Journal of Counseling Psychology*, 22(1), 79-83.
- Hoffman, Donna, Thomas Novak and Ann Schlosser (2003), "Locus of Control, Web Use, and Consumer Attitudes toward Internet Regulation," *Journal of Public Policy & Marketing*, 22(1), 41-57.
- Hui, Tak Kee, and David Wan (2004), *The Role of Consumer Innovativeness in the Adoption of Internet Shopping in Singapore*, Singapore: National University of Singapore.

- Iyer, Rajesh and Jacqueline K. Eastman (2006), "The Elderly and Their Attitudes toward the Internet: The Impact on Internet Use, Purchase, and Comparison Shopping," *Journal of Marketing Theory & Practice*, 14(1), 57-67.
- Jacoby, Jacob (1971), "Personality and Innovation Proneness," *Journal of Marketing Research*, 8(2), 244-247.
- Jupiter (2006), "Financials," *Retailing Today*, 45(19), 6-6.
- Kaplan, Steven N. and Mohanbir Sawhney (2000), "E-hubs: The New B2B Marketplaces," *Harvard Business Review*, 78(3), 97-103.
- Kassarjian, Harold H., (1971), "Personality and Consumer Behavior: A Review," *Journal of Marketing Research*, 8 (4), 409-418.
- Kassarjian, Harold H., and Mary Jane Sheffet (1981), *Personality and Consumer Behavior: An Update*, In: Perspectives in Consumer Behavior, Third Edition. Harold H. Kassarjian and Thomas S. Robertson, eds. Glenview, IL: Scott, Foresman, pp. 160-173
- Koyuncu, Cuneyt and Donald Lien (2003), "E-commerce and Consumer's Purchasing Behavior," *Applied Economics*, 35(6), 721-727.
- Lambert, Zarrel V. and Richard M. Durand (1977), "Purchase Information Acquisition and Cognitive Style," *Journal of Psychology*, 97(1), 3-14.
- Lee, Matthew K. and Efraim Turban (2001), "A Trust Model for Consumer Internet Shopping," *International Journal of Electronic Commerce*, 6(1), 75-92.
- Li, Jianguo (2001), *A Framework of Individual Consumer's Acceptance of Online Shopping*, Montreal, Canada: Concordia University.
- Lopez, Francisco J., Paula Luna and Francisco Jose Martinez (2005), "Online Shopping: The Standard Learning Hierarchy and Consumers' Internet Expertise: An American-Spanish Comparison," *Internet Research: Electronic Networking Applications and Policy*, 15(3), 312-334.
- Luo, X., (2002), "Trust Production and Privacy Concerns on the Internet: A Framework Based on Relationship Marketing and Social Exchange Theory," *Marketing Management*, 31(2), 111-118.
- McFarland, Sam G. and Craig M. Sparks (1985), "Age, Education and the Internal Consistency of Personality Scales," *Journal of Personality and Social Psychology*, 49(6), 1692-1702.
- McKnight, Harrison D., Vivek Choudhury and Charles Kacmar (2002), "Developing and Validating Trust Measures for e-Commerce: An Integrative Typology," *Information Systems Research*, 13(3), 334-359.
- Moe, Wendy W. and Peter S. Fader (2004), "Dynamic Conversion Behavior at E-Commerce Sites," *Management Science*, 50(3), 326-335.
- Moorman, Christine, Gerald Zaltman and Rohi Deshpande (1992), "Relationships Between Providers and Users of Market-Research - The Dynamics of Trust within and Between Organizations," *Journal of Marketing Research*, 29 (3): 314-328.
- Newman, Andrew (2005), "Online Consumption," *Blackwell Encyclopedic Dictionary of Marketing*, 1(1), 236.
- Oliver, Richard L. and John E. Swan, (1989), "Consumer Perceptions of Interpersonal Equity and Satisfaction in Transactions: A Field Survey Approach," *Journal of Marketing*, 53, 21-35.
- Overby, Jeffrey W. and Eun-Ju Lee (2006), "The Effects of Utilitarian and Hedonic Online Shopping Value on Consumer Preference and Intentions," *Journal of Business Research*, 59(10/11), 1160-1166.
- Pavlou, Paul, and Mendel Fygenon (2006), "Understanding and Prediction Electronic Commerce Adoption: An Extension of the Theory of Planned Behavior," *MIS Quarterly*, 30(1), 115-143.
- Ping, Robert A. Jr. (1995), "A Parsimonious Estimating Technique for Interaction and Quadratic Latent Variables," *Journal of Marketing Research*, 32 (3), 336-347.

- Podsakoff, Philip M. and Dennis W. Organ (1986), "Self-Reports in Organizational Research: Problems and Prospects," *Journal of Management*, 12(4), 531-544.
- Pugh, Kelsey and Margaret Neumann (2006), *Effects of Age on Dogmatic Traits*, St. Joseph, MO: Missouri Western State University.
- Raju, P. S., (1980), "Optimum stimulation level: Its relationship to personality, demographics and exploratory behavior," *Journal of Consumer Research*, 7(3), 272-82.
- Raugust, Karen (1999), "Online Shoppers Cross All Age Brackets," *Drug Store News*, 21(9), 118-121.
- Rebhun, Martin T. (1966), "Dogmatism and Test Anxiety," *Journal of Psychology*, 62(1), 39-40.
- Reisenwitz, Timothy H. and Bob D. Cutler (1998), "Dogmatism and Internet Usage by University Students: Are Dogmatics Late Adopters?," *Journal of Marketing Theory and Practice*, 6(2), 43-50.
- Rodriguez, Inma A. and Gerard A. Ryan (2006), "The World Wide Web in the Food and Beverage Sector in Spain," *International Advances in Economic Research*, 6(4), 699-709.
- Rokeach, Milton (1960), *The Open and Closed Mind*, New York, NY: Basic Books.
- Rotton, James, Brian Blake and Richard Heslin (1977), "Dogmatism, Trust, and Message Acceptance," *Journal of Psychology*, 96(1), 81-88.
- Roy, Subroto and Sanjoy Ghose (2005), "Internet Adoption as a Two-Stage Transition: Converting Internet Non-Users to Internet Users and to Online Buyers," *International Journal of Market Research*, 48(3), 321-349.
- Sabol, Barry, Jagdip Singh and Deepak Sirdeshmukh (2002), "Consumer Trust, Value, and Loyalty in Relational Exchanges," *Journal of Marketing*, 66(1), 15-37.
- Schiffman, Leon G. and Leslie Lazar Kanuk (2006), *Consumer Behavior*, 9th ed., Englewood Cliffs, NJ: Prentice Hall.
- Schmitz, Paul G. (1985), "Sociocultural and Personality Differences in the Dimension of the Open and Closed Mind," *High School Journal*, 68(1), 348-364.
- Shimp, Terence A. and Subhash Sharma (1987), "Consumer Ethnocentrism: Construct Validation of the CETSCALE," *Journal of Marketing Research*, 24(3), 280-289.
- Shoham, Aviv and Maja M. Brencic (2004), "Value, Price Consciousness and Consumption Frugality: An Empirical Study," *Journal of International Consumer Marketing*, 17(1), 55-69.
- Sohn, Dongyoung and John Leckenby (2001), *Locus of Control and Interactive Advertising*, Austin, TX: University of Texas at Austin.
- Sorce, Patricia, Victor Perotti and Stanley Widrick (2005), "Attitude and Age Differences in Online Buying," *International Journal of Retail & Distribution Management*, 33(2), 122-132.
- Steininger, Marion (1975), "In the Pursuit of a Dogmatism Factor: Derogation or Alienation," *Psychological Reports*, 37(2/3), 1041-1042.
- Sticht, Thomas and Wayne Fox (1966), "Geographical Mobility and Dogmatism, Anxiety and Age," *Journal of Social Psychology*, 68(2), 171-174.
- Strickland, Bonnie R. and Sallie Cone Weddell (1972), "Religious Orientation, Racial Prejudice, and Dogmatism: A Study of Baptists and Unitarians," *Journal for the Scientific Study of Religion*, 11(4), 395-399.
- Suh, Bomil and Ingoo Han, (2003), "The impact of customer trust and perception of security control on the acceptance of electronic commerce," *International Journal of Electronic Commerce*, 7 (3), 135-161.
- Urban, Glen L., Fareena Sultan and William J. Qualls (2000), "Placing Trust at the Center of Your Internet Strategy," *MIT Sloan Management Review*, 42(1), 39-48.
- Vacchiano, Ralph B., Paul S. Strauss and Leonard Hochman (1969), "The Open and Closed Mind: A Review of Dogmatism," *Psychological Bulletin*, 71(4), 261-73.
- Vaghefi, Reza M. (1980), "A Micro-analysis Approach to Modernization Process: A Case Study of Modernity and Traditional Conflict," *International Journal of Middle East Studies*, 12(2), 181-197.

- Van Dijk, Maria G. (2007), *Pick and Mix. Consumers Moving between Online and Offline Channels in the Context of Leisure Travel Preparations*, Milton Keynes, UK: The Open University.
- Wald, Kenneth D. (1992), *Religion and Politics in the United States*, 2nd ed., Washington, DC: CQ Press.
- Wang, Chih-Chien and Hui-Wen Yang (2007), "Passion and Dependency in Online Shopping Activities," *CyberPsychology and Behavior*, 10(2), 296-298.
- Wittmer, Joe and Gerald B. Webster (1969), "The Relationship Between Teaching Experience and Counselor Trainee Dogmatism," *Journal of Counseling Psychology*, 16(6), 499-504.
- Wolfenbarger, Mary and Mary C. Gilly (2001), "Shoppers Online for Freedom, Control and Fun," *California Management Review*, 43(2), 34-55.
- Wright, Malcolm and Don Charlett (1995), "New Product Diffusion Models in Marketing: An Assessment of two Approaches," *Marketing Bulletin*, 6(5), 32.
- Yoon, Sung J. (2002), "The Antecedents and Consequences of Trust in Online-Purchase Decisions," *Journal of Interactive Marketing*, 16(2), 47-63.

A COMPARISON OF THE ETHICAL PERCEPTIONS OF PROSPECTIVE PERSONAL SELLING AND ADVERTISING EMPLOYEES

MELISSA BURNETT, Missouri State University
CHARLES PETTIJOHN, Missouri State University
NANCY KEITH, Missouri State University

The prevalence of corporate unethical activity has brought ethics education to the forefront. In response, business curricula have been revised to incorporate ethics topics. The business disciplines of personal selling and advertising are often maligned for possessing low ethical standards. Much of the negative image may be attributed to the perception that in the advertising and selling professions ethical behavior is not important. Further, ethical behavior may not be emphasized in the two disciplines because success in advertising and sales may be inversely related to ethical behavior. In this research, the perceived importance of ethics and ethical behavior was measured from both the advertising and the personal selling perspectives. Responses obtained from prospective advertising employees and salespeople were compared to determine the similarities and differences between the two professions. Results of the study indicate that prospective personal salespeople felt that ethical behavior was more important and more heavily emphasized in their discipline than did prospective advertising employees. Additionally, personal selling respondents felt that success in their field depended more heavily on ethical behavior than did those in advertising. While results of the study indicated that both personal selling and advertising prospective employees expect to encounter ethical dilemmas in their professions, respondents in both fields agreed that they would feel comfortable working only in a corporate environment where the corporate ethics match their own personal ethics. Based on the findings, implications and suggestions for future research are discussed.

INTRODUCTION

One only has to listen to the news or read the *Wall Street Journal* to realize the prevalence of unethical activity in corporations. With claims, allegations and convictions of unethical behavior from such corporate giants as Mattel, Enron, McDonalds, Wal-Mart, and Merrill Lynch, the topic of ethics continues to be brought to the forefront of national and international discussion. Corporate unethical activity has resulted in numerous negative consequences such as lowered investor confidence, consumer endangerment, and new industry and governmental regulations. Generally, unethical behavior creates an unfavorable business climate and diminishes potential business success. Despite these

findings, it could be argued that some businesses and individuals take the more ironic view of ethics by choosing to follow a work ethic more in line with the words of Mark Twain who once said, "The secret of success is honesty and fair dealings. If you can fake these, you've got it made."

Business organizations have attempted to internally address employee unethical behavior by instituting codes of ethics and employee training. While new governmental regulations have created a framework for corporate ethics, trade associations have been active in developing ethics courses and codes of conduct. However, ultimately the ethics of the organization is dependent on the ethics of the individual employees and the corporate environment created by management. If employees feel that ethical behavior is not important or that the corporate ethical climate is not congruent with their own personal beliefs,

efforts for ethical reform may meet with limited success. Recently collegiate accrediting agencies such as AACSB International – The Association to Advance Collegiate Schools of Business – have instituted new guidelines to ensure that students who will become the new corporate employees receive ethics education. Business schools have responded to these demands by revising curricula to include ethics topics, but is the new emphasis on ethics having the desired impact?

Sales and advertising are two functional areas within a corporation where ethical dilemmas are frequently encountered and opportunities for unethical behavior abound. The personal selling and advertising professions are often maligned for possessing low ethical standards. Much of the negative image may be attributed to the perception that in the advertising and selling professions ethical behavior is not important or that success in advertising and sales is not related to one's ethical behavior. Given that much of the capacity for a business to succeed depends on its sales and advertising employees, it is important to determine the ethical perceptions of both. Business students majoring in personal selling and advertising are the future corporate sales and advertising professionals. The new infusion of ethics in the sales and advertising curricula should be preparing the future professionals for ethical issues encountered in their respective fields. The purpose of this research is to evaluate the perceived importance of ethics and ethical behavior from the advertising and the personal selling perspectives. Comparison of the personal selling and advertising responses will be used to determine the similarities and differences between the ethical perceptions held by two types of professionals and to determine implications for addressing ethical education and behavior in these two key areas.

RELATED LITERATURE

In today's environment, businesses are plagued with incidences of employee ethical misconduct. Governmental regulation, corporate and trade association codes of ethics, establishment of ethical committees, and courses in ethical behavior have been instituted

to improve ethical behavior in business organizations. While for decades business curricula have included discussions of business ethics, the ethics of business executives continue to rank lower than those in many other professions (Lantos 1999). The current business ethical climate would lead one to question the success of business ethics curricula and whether business ethics courses have a positive impact on our future executives.

One of the functional areas of business particularly prone to ethical challenges is personal selling (Dubinsky and Levy 1985). As Dawson (1997) indicates, the salesperson's unique position as facilitator of the exchange of good and services between buyer and seller often tempts him/her to behave unethically. A salesperson's unethical behavior may negatively impact customer satisfaction and retention as well as salesperson performance and retention. Dubinsky, et. al. (1992) contend that unethical salesperson behaviors may result in "deleterious human resources costs, lawsuits, ineffective performance, conflict, customer dissatisfaction, poor word-of-mouth, lost customers, reduced sales and profits (p. 10)." Personal selling may also have a poor ethical image among college students (Sparks and Johlke 1996). Consequently, students may be hesitant to select personal selling as a career thus limiting the pool of qualified applicants.

A second functional area of business fraught with ethical challenges is advertising (Treise et. al., 1994). The advertising industry has been accused of engaging in numerous activities detrimental to society such as intentionally misleading the consumer to promoting the sale of unnecessary products and services (Murphy 1998; Pratt and James 1994; Pratt and James 1993). Results of Gallup's Honesty and Ethics Poll indicate that advertising is perceived as one of the most unethical businesses (McAney 1995; Murphy 1998). Pratt and James (1994) note, "The advertising profession, as business, is no less immune to the unsavory public perceptions of business ethics in general." In fact, in terms of ethical standards, advertising has been rated the lowest on 14 ethical dimensions in the functional areas of a business (Murphy 1998).

Allegations of unethical advertising activities stem not only from the public but from advertising practitioners as well. In a survey of 785 companies, advertising ranked last in terms of providing employees specific ethical guidelines and policy statements (Murphy 1998). The lack of formal policy leaves advertising employees to make ethical decisions on a case-by-case basis based on their own personal ethics. As the Chairman of the Self-Regulation Committee of the American Advertising Foundation points out, ethical conduct is largely based on individual actions and that the solution to the ethics crisis in advertising is the responsibility of the individual (Pratt and James 1994).

While some research found no significant differences in ethical perceptions between academic disciples (DuPont and Craig 1996), the importance of ethical behavior in the conduct of all aspects of business is well understood. However, in addition to the obvious factors supporting ethical behavior (e.g., the importance of avoiding legal actions, maintaining positive customer relationships, etc.), one factor that is rarely discussed is the perception that individuals prefer to work for firms that they perceive are ethical. Such a preference may be derived from a desire to associate oneself with a firm in which he/she could feel personal pride or a desire to work with an organization that one can trust. Regardless of the justification, firms may wish to behave ethically to enhance their ability to attract the “best” employees. Some have even suggested that ethical perceptions may influence the selection of one’s career (Sparks and Johlke 1996). For example, Sparks and Johlke argue that individuals may not select personal selling as a career choice due to the perception of its inherent unethical behaviors. Further, they argue that this process of “self-selection” may actually discourage people from pursuing a given career. This perception is supported by research in advertising where 66 percent of the respondents contend that ethical problems negatively affect relationships with their co-workers and their performance (Hunt and Chonko 1987).

Previous research indicates the problem of unethical behavior is encountered in all organizations, but it is particularly vexing in a sales or advertising setting. Therefore the ethical perceptions of future sales and advertising professionals are important to the firms that will employ them. The next section identifies five hypotheses designed to determine the ethical perceptions of our future business executives in the sales and advertising disciplines.

RESEARCH HYPOTHESES

Previous research indicates differing perspectives on the ethical perceptions of personal selling and advertising professionals. Given that the behaviors of both advertising and sales employees are critical to the success of a corporation, hypotheses were developed to examine the ethical perceptions of future employees in each profession. Using five hypotheses, this study examines the ethical perceptions of prospective advertising employees. Using the same five hypotheses, the ethical perceptions of prospective personal selling employees are examined. A sixth hypothesis is used to compare the ethical perceptions between the two professions.

The five hypotheses relating to ethical perceptions of future personal selling and advertising professionals are:

- H₁:** Prospective personal selling and advertising employees perceive ethical behavior as important in their professions.
- H₂:** Prospective personal selling and advertising employees would feel comfortable working only in a corporate environment where the corporate ethics match their own personal ethics.
- H₃:** Prospective personal selling and advertising employees perceive that the importance of marketing ethics is emphasized in their professions.
- H₄:** Prospective personal selling and advertising employees perceive that success in their professions depends on ethical behavior.

H₅: Prospective personal selling and advertising employees perceive that ethical dilemmas are rarely encountered in their professions.

METHODOLOGY

The first step in the research process involved sample specification. McCuddy and Perry (1996) indicate the relevance of the use of students in ethics research. Since students are potential employees, their "ethical propensities" can increase the knowledge of factors that influence future ethical behavior. As prospective sales employees, students enrolled in personal selling classes were selected for the study. In the business marketing curricula, sales students have been presented considerable information regarding the role of a salesperson and ethics and selling in business. Similarly, students enrolled in upper-division advertising courses were selected as future advertising employees. The advertising students have knowledge of the profession and are likely to be employed in positions related to advertising. In the business marketing curricula, the advertising students also have been exposed to information regarding ethical issues and behavior in advertising. The future sales and advertising employees' ethical perceptions are of particular relevance to corporations concerned with employee ethics.

The second step in the research process involved development of the survey instrument. According to Jones and Kavanagh (1996), "If unethical behavior in organizations is of rational choice, we could assume that intentions are indicative of actual behavior (p. 515)." Therefore, five questions assessing respondent perceptions of ethics in personal selling and advertising were developed and pretested. Considering their respective profession, respondents were asked to indicate on a five-point Likert scale (1=strongly agree, 2=agree, 3=uncertain, 4=disagree, 5=strongly disagree) their agreement with five ethical concepts: 1) the importance of ethical behavior, 2) whether success depends on ethical behavior, 3) the likelihood of encountering ethical dilemmas, 4) whether marketing ethics are emphasized in the profession, and 5) whether they would feel

comfortable working only in a corporate environment where corporate and personnel ethics are congruent.

Using analysis of variance, academic discipline means were compared for each of the five ethics questions. Similarities and differences were noted between the personal selling and advertising student responses.

RESULTS AND DISCUSSION

Three hundred seventy-six (376) students enrolled at an AACSB accredited, Midwestern university were surveyed. The research sample included 185 personal selling students and 191 advertising students. All participants were nearing the end of their college curricula; 72 percent of the participants were college seniors. A majority of the respondents ranged in age from 21 to 25 years, and the respondent sample was approximately equally divided according to gender. Additionally, 77 percent of the students had prior experience in their respective profession, personal selling or advertising.

The first research hypothesis concerns whether prospective personal selling and advertising employees perceive ethical behavior as important in their professions. The mean responses are given in Table 1. For the question concerning the importance of ethical behavior, the low means indicate that both personal selling and advertising students perceive that ethical behavior is very important in their respective professions. However, personal selling students feel that ethical behavior is significantly more important in their profession than do the advertising students.

Whether success in personal selling and advertising depends on ethical behavior is the topic of the second research hypothesis. As illustrated in Table 1, both personal selling and advertising students agree that success depends on ethical behavior. However once again, the personal selling students feel that ethical behavior is more important to success in their profession than do the advertising students.

The third research hypothesis involves the prevalence of ethical dilemmas in the sales and

advertising fields. As illustrated by the means in Table 1, both the personal selling and advertising students disagree that ethical dilemmas are rarely encountered in their professions. Further for this question, there is no difference in perceptions between the two groups of students.

Whether the importance of marketing ethics was emphasized in their respective curricula is the focus of the fourth research hypothesis. Personal selling and advertising students agree that marketing ethics is emphasized, but there is a significant difference in their responses. Personal selling students feel more strongly that marketing ethics was emphasized in their curricula than did advertising students.

The subject of the fifth and final research hypothesis is whether the future employees would only feel comfortable working in a corporate environment where the corporate ethics matched their own personal ethics. Both the personal selling and advertising students agree that congruency in corporate and personal ethics is important. Further, there is no difference in perceptions between the advertising and sales students regarding the importance of the corporate-personal ethics match.

CONCLUSIONS AND RECOMMENDATIONS

In comparison to advertising students, results of this study indicate that personal selling students feel more strongly that ethical behavior is important in their field and emphasized in their college curriculum. In personal selling, the sales professional has direct contact with the customer. By contrast in the field of advertising, the customer contact is often indirect. Therefore, ethics may receive more emphasis and may be perceived as more important in the sales curriculum than in the advertising curriculum.

Personal selling students also feel more strongly than advertising students that their success is dependent on ethical behavior and that the ethics of their corporate environment must match their own personal ethics. Once again, the nature of the sales field and its requisite personal interactions may contribute to the perception that career success and work environment ethics are more important to the sales professional than the advertising professional.

TABLE 1
Mean Perceptions for Five Ethical Questions: Personal Selling vs. Advertising Students

Ethics Question	Academic Discipline		Significance
	Personal Selling (n=185)	Advertising (n=191)	
Ethical behavior is important in advertising/personal selling.	1.4	1.6	.0027
I would feel comfortable working only in a corporate environment where the corporate ethics matched own personal ethics.	1.9	2.1	.0657
The importance of marketing ethics was emphasized in my college curriculum.	2.0	2.2	.0157
Success in advertising/personal selling depends on ethical behavior.	2.2	2.6	<.0001
Ethical dilemmas are rarely encountered in advertising/personal selling.	4.4	4.4	NS

1=strongly agree, 2=agree, 3=uncertain, 4=disagree, 5=strongly disagree

Overall, both personal selling and advertising students appear aware that ethical dilemmas will be encountered in their careers. Further, personal selling and advertising students perceive ethical behavior as very important in their respective professions. However, each group is less certain that success in their respective fields depends on ethical behavior. There appears to be incongruence between how students feel they should behave as professionals and how they feel their success will be determined. This fact could be a result of observing business executives becoming wealthy despite the lack of ethical behavior or the feeling that corporations do not reward individuals with high ethical standards.

In terms of whether the importance of marketing ethics was emphasized in their respective curricula, students from both academic disciplines agree but do not strongly agree that this is the case. It appears that there is room for improvement in ethics education in the personal selling curricula and even more so in the advertising curricula. Since often times advertising deals with creating demand for a product using unrealistic situations and images, it may be more difficult for advertising students to determine what constitutes unethical behavior. Although sometimes difficult to accomplish, ethics education for both personal selling and advertising students needs to incorporate specific examples of behaviors that cross ethical boundaries. Before students enter the work force and are faced with difficult ethical decisions, business educators need to provide students with an understanding of corporate, ethical behaviors.

Additionally, both personal selling and advertising students indicate that it is important that the ethical climate of the corporation in which they are employed reflect their own personal ethics. The implication is that a corporation's ethical reputation may affect its ability to hire and retain employees. Perhaps corporations need to increase their awareness of the effect of their public image on current and future employees. If a firm has a low ethics reputation, it may attract low ethics employees, perpetuate the low ethics corporate

environment, and perhaps ultimately damage the corporate position in the marketplace.

If it is true as Cleek and Leonard (1998) assert that perhaps the only way to increase the ethical decision making in an organization is to hire only ethical people, it is imperative that ethics education be emphasized in the business curricula. The results from this study indicate that current business ethics education is not making the grade. While personal selling and advertising students as prospective employees feel that ethical behavior is important, they are not fully convinced that their future success is determined by their corporate ethical behavior. Business ethics education needs to emphasize the negative business implications of unethical corporate behavior. Similarly, business educators need to communicate the ethical perceptions of students as prospective new hires to corporations. Perhaps in concert with corporations, business educators can aid in developing the ethical employees of the future.

SUGGESTIONS FOR FUTURE RESEARCH

The current research involved only the personal selling and advertising professions. The study could be extended to include students as future employees in other business professions such as accounting, finance, and management. Since many students not majoring in business also will become corporate employees, future research of this type might include a broader student base.

Another avenue of future research might include a survey of persons currently employed in the advertising and sales professions. Determining whether corporate employees perceive ethical behavior as important, whether they feel that their success in the corporation depends on ethical behavior, whether they frequently encounter ethical dilemmas, and whether they feel that the ethical climate of their current employer is congruent with their personal ethics would be of particular interest. It also would be interesting to determine if employees feel that their college education prepared them to address corporate ethical situations. A comparison of the employee and

student research might reveal changes in perceptions through work experience.

Whatever the direction of future research, it is clear that both business educators and corporations need to recognize and emphasize the importance of ethical behavior. Both business educators and corporations also must understand the economic consequences of not pursuing the ethical path.

REFERENCES

- Cleek, Margaret Anne and Sherry Lynn Leonard (1998). "Can Corporate Codes of Ethics Influence Behavior?" *Journal of Business Ethics*, Vol. 17, pp. 619-630.
- Dawson, Leslie M. (1997). "Ethical Differences Between Men and Women in the Sales Profession." *Journal of Business Ethics*, Vol. 16, pp. 1143-1152.
- Dubinsky, Alan J. and Michael Levy (1985). "Ethics in Retailing: Perceptions of Retail Salespeople." *Journal of the Academy of Marketing Science*, Vol. 13 (No. 1), pp. 1-16.
- Dubinsky, Alan J., Marvin A. Jolson, Ronald E. Michaels, Masaaki Kotabe and Chae Un Lim (1992). "Ethical Perceptions of Field Sales Personnel: An Empirical Assessment." *Journal of Personal Selling and Sales Management*, Vol. XII (Fall), pp. 9-21.
- DuPont, Ann M. and Jane S. Craig (1996). "Does Management Experience Change the Ethical Perceptions of Retail Professionals: A Comparison of the Ethical Perceptions of Current Students with Those of Recent Graduates." *Journal of Business Ethics*, Vol. 15, pp. 815-826.
- Hunt, Shelby D. and Lawrence B. Chonko (1987). "Ethical Problems of Advertising Agency Executives." *Journal of Advertising*, Vol. 16 (No. 4), pp. 16-24.
- Jones, Gwen E. and Michael J. Kavanagh (1996). "An Experimental Examination of the Effects of Individual and Situational Factors on Unethical Behavioral Intentions in the Workplace." *Journal of Business Ethics*, Vol. 15, pp. 511-523.
- Lantos, Geoffrey P. (1999). "Motivating Moral Corporate Behavior." *Journal of Consumer Marketing*, Vol. 16 (No. 3), pp. 222-223.
- McAney, Leslie (1995). "Racial Divisions Evident in Ratings of Police, Lawyers." *The Gallop Poll Monthly*, (November), pp. 28-32.
- McCuddy, Michael K. and Barbara L. Perry (1996). "Selected Individual Differences and Collegians' Ethical Beliefs." *Journal of Business Ethics*, Vol. 15, pp. 261-272.
- Murphy, P. E. (1998). "Ethics in Advertising: Review, Analysis, and Suggestions." *Journal of Public Policy and Marketing*, Vol. 17, No. 2 (Fall), pp. 316-319.
- Pratt, C. B. and James, E. L. (1994). "Advertising Ethics: A Contextual Response Based on Classical Ethical Theory." *Journal of Business Ethics*, Vol. 13, pp. 455-468.
- Pratt, C. B. and James, E. L. (1993). "A Factor Analysis of Advertising Practitioners' Perceptions of Advertising Ethics." *Psychological Reports*, Vol. 73 (December), pp. 1307-1314.
- Sparks, John R. and Mark Johlke (1996). "Factors Influencing Student Perceptions of Unethical Behavior by Personal Salespeople: An Experimental Investigation." *Journal of Business Ethics*, Vol. 15, pp. 871-887.
- Treise, Debbie, Michael F. Weigold, Jenneane Conna and Heather Garrison (1994). "Ethics in Advertising: Ideological Correlates of Consumer Perceptions." *Journal of Advertising*, Vol. 23, No. 3 (September), pp. 59-72.

CONSUMER SELF-CONFIDENCE AND PATRONAGE INTENSITY HEURISTICS IN SHOPPING FOCUSED WORD OF MOUTH COMMUNICATION

TERRENCE J. PARIDON, *Cameron University*

A substantial body of literature involving emotional and task focused shopping environments presents findings that suggest a direct relationship between these environments and patronage behavior. Other research indicates that one's emotional shopping experiences and task focused shopping successes are involved in complex views of oneself and word of mouth communication. This study attempts to reconcile these two apparently contradictory conceptualizations and proposes a heuristic based mediated model. Findings from the analysis of responses to a self-administered structured questionnaire suggest that emotional-social self-confidence, emotional-patronage intensity, and task focused patronage intensity heuristics accompany shopping focused word of mouth communication. Recommendations for retailers are discussed and additional research topics are proposed.

INTRODUCTION

Retailing thought continues to emphasize that shopping environments should be designed around themes that have the potential to satisfy shoppers' preferences. In many instances, the emphasis has been in the form of recommendations that retailers should make it easy for shoppers to simultaneously immerse themselves in an aesthetic or pleasurable experience while completing their shopping tasks. A fundamental principle embedded within these recommendations is that one should use color, scent, music, and merchandising themes in conjunction with congenial and well versed store employees to convey to shoppers the idea that shopping is more than an exercise in purchasing. To the extent that shoppers find these themes exciting and enjoyable, they should then be able to transcend and/or compensate for any boredom and/or drudgery associated with the task of shopping (Kozinets et al. 2002). Well executed themes should also make it easy for shoppers to locate, select, and purchase needed items, resulting in an increased level of satisfaction (Titus and Everett 1995). In turn, enhanced

satisfaction should generate an increase in sales volume and an increased potential for future sales (Babin and Darden 1996).

These purchasing and loyalty effects notwithstanding, enjoyable and task friendly shopping environments generate other patronage responses in shoppers. For example, emotionally pleasing environments have been shown to influence the amount of time shopping (Donovan and Rossiter 1982), impressions about the amount of time spent shopping (Babin, Darden and Griffin 1994), and shoppers' attitudes towards products and the shopping environment (Shim and Eastlick 1998; Wakefield and Baker 1998; Baker, Grewal and Parasuraman 1994; Matilla and Wirtz 2001; Arnold and Reynolds 2003; Michon, Chebat and Turley 2005). Similarly, it has been suggested that shopping aids, such as signs and displays, may create a more focused or intense shopping experience (Titus and Everett 1995). Findings tend to support this proposition. When shoppers were able to locate products, their feelings about the amount of time spent shopping was more positive (Babin, Darden and Griffin 1994; Arnold and Reynolds 2003), and an increase in the amount of time spent shopping occurs (Dawson, Bloch and Ridgway 1990; Babin, Griffin and Boles 1997; Babin and Attaway 2000).

A somewhat different focus involving the effects of emotionally pleasing and task facilitating themes revolves around interpersonal communication. For example, in discussing in store information search strategies, Titus and Everett (1995) suggest that emotional and task focusing themes influence shopper's interactions with other customers. Since there is no reason to limit this form of word of mouth communication to in store encounters, the exchange of shopping advice should accompany, and does result from, shopping related emotional and task focused experiences (Babin, Griffin and Boles 1997; Keillor, Hult, and Kandemir 2004; Paridon 2005; Kaltcheva and Weitz 2006).

To be sure, the preceding conceptualizations and findings contribute significantly to the disciplines understanding of retailing practices and behaviors. Nevertheless, the aforementioned concepts and findings suggest also that it may be possible to extend the disciplines understanding of shopping related word of mouth communication by studying this form of interpersonal influence as a heuristically based (e.g., Chaiken, Liberman and Eagly 1989; Chen and Chaiken 1999) emotional and task related information exchange. These communications may also involve consumption specific self-confidence (Bearden, Hardesty and Rose 2001). Accordingly, this research focuses upon the conceptual development and empirical testing of a model of word of mouth communication that proposes consumption specific self-confidence and patronage intensity as mediators of emotional and task focused shopping experiences. If empirical research supports the conceptualization, such a confirmation would enhance the disciplines understanding of the effects of retail environments upon shoppers' behaviors.

CONCEPTUAL DEVELOPMENT

Previous research into the nature of interpersonal communication recognizes that the social activities of consumers extend into the realm of marketing. For example, early work in opinion leadership focused upon group membership and the gregariousness of the

individuals who exchanged product related information (Katz and Lazarsfeld 1955). Subsequent research into marketing related word of mouth communication extended the findings of such initial studies and revealed that consumers who transmitted product related information, or opinion leaders, were: topic specific leaders, self confident, socially active, media active, and information seekers (Summers 1970; Reynolds and Darden 1971; Feick and Price 1987; Flynn, Goldsmith and Eastman 1996).

In addition to the social/self focused concepts that contributed to understanding word of mouth communication, balance or consistency theories appeared to provide an additional foundation for the study of the exchange of market related information. The initial conceptualizations of these theories (e.g., Heider 1946; Newcomb 1953) posited that relationships involving at least two individuals and one object may be thought of as combinations of beliefs and emotions about the individuals and object. For example, in marketing related word of mouth communication, a balanced arrangement of people and thoughts would involve shoppers who enjoy knowing about and informing others of new and/or existing products and services (Feick and Price 1987). Other examples of the occurrence of word of mouth communication embodied or built upon balanced thought (Summers 1970; Reynolds and Darden 1971; Darden and Reynolds 1974; Flynn, Goldsmith and Eastman 1996; Paridon 2005), with several studies emphasizing that a positive self-esteem accompanied the exchange of favorable consumption experiences (Summers 1970; Reynolds and Darden 1971; Paridon 2005).

Conceptual Extensions

In many of the above cited studies, the topic of the casual conversations involved products (Summers 1970; Reynolds and Darden 1971; Darden and Reynolds 1974; Feick and Price 1987; Flynn, Goldsmith and Eastman 1996). Nevertheless, balance theory's emphasis upon interpersonal communication about an object or event implies that word of mouth exchanges may involve shopping related experiential

thought. In other words, shoppers may base their interpersonal communication about shopping on their in store emotional and task focused experiences. The specific precursors or causes—colors, scents, music, signs, merchandise displays and product availability—of these experiences may vary from shopper to shopper and from shopping occasion to shopping occasion (cf. Titus and Everett 1995). Nevertheless, it seems reasonable to propose that the emotional and task focused experiences that they produce should contribute to the emergence of word of mouth communication. Stated somewhat differently, when shoppers' experiences generate favorable emotional and task related thoughts, then these thoughts may act as heuristic cues and be accompanied by heuristic rules (Chaiken, Liberman and Eagly 1989; Chen and Chaiken 1999). These cues and rules may stimulate an exchange of word of mouth communication.

To be more specific, in heuristic thought, it is proposed that in the absence of message specific information and in the presence of a desire for accuracy, individuals base their acceptance of a persuasive message upon generalized rules or heuristics; the rules are activated by cues (Chaiken, Liberman and Eagly 1989; Chen and Chaiken 1999). In other words, in heuristic thought the extent to which one accepts a persuasive message may depend, in part, upon the extent to which one reacts to emotional cues and/or agrees with factual information associated with the communication and/or communicator. Furthermore, more than one heuristic cue may be used if prior experiences have established and confirmed a heuristic cue, heuristic rule, and message acceptance linkage (Chaiken, Liberman and Eagly 1989, p. 216-217). Therefore, to the extent that the thought structures that are engaged in word of mouth communication parallel the thinking that characterizes the use of heuristic cues in persuasive communication, it seems reasonable to propose that shopping related emotional and task focused experiences should accompany or influence word of mouth communication (cf. Wang, Baker, Wagner and Wakefield 2007). Thus, the first research hypothesis is:

H₁: Emotional and task oriented experiences should be positively related to shopping focused word of mouth communication.

The appeal of the preceding hypothesis notwithstanding, emotional and task oriented responses to one's shopping experience involve more than the activation of one's orientation towards word of mouth communication. For example, Donovan and Rossiter (1982) reported that the pleasure associated with shopping was related to one's orientation towards others. Similarly, a self-other association involving one's emotional reaction toward shopping characterized emotional based shopping orientations (Arnold and Reynolds 2003). Both of these studies are consistent with findings from research involving emotional states as causal agents generating self-perception and social behavior effects (Forgas 1992). However, neither of the immediately preceding studies explicitly addresses Forgas' findings of a positive relationship between succeeding at a task and one's self-evaluations and judgments of others. If Forgas' findings involving task focused behaviors compare favorably to the marketing based findings involving emotions, self-perception, and judgments of others, then task focused shopping experiences may play a part in determining one's marketing related view of themselves and how others view oneself.

To be sure, marketing related views of one's self have been identified and studied. However, one particular formulation appears to offer a basis for advancing the discipline's understanding of the effects of emotional and task focused shopping experiences upon the self. The rationale for this potential contribution revolves around their conceptual definition of the self. According to the authors (Bearden, Hardesty and Rose 2001, p. 122), consumption specific self-confidence (CSSC), a construct that enables one to interact with and make decisions in the marketing environment, is the "... extent to which an individual feels capable and assured with respect to his or her marketplace decisions and behaviors." The authors continue by stating that the decisions that one makes lead to both personal and social outcomes confidence that embody "... personal

feelings of satisfaction and, in many situations reactions from ...” other individuals, “...including friends, family, and neighbors...” (Bearden, Hardesty and Rose 2001, p. 123). In other words, marketplace decisions and behaviors involving shopping related experiences should contribute to one’s consumption related social and personal confidence.

Thus, in the context of consumption related social and personal confidence (Bearden, Hardesty and Rose 2001), the emotionally related findings involving one’s view of self and others (Donovan and Rossiter 1982; Arnold and Reynolds 2003), augmented with Forgas’ (1992) findings involving task focused behavior, leads to the second research hypothesis:

H₂: Emotional and task oriented experiences should be positively related to consumption related social and personal confidence.

The aforementioned research by Forgas (1992) suggests also that emotional and task focused experiences may contribute to explaining the intensity of patronage behaviors. However, these behaviors, postulated to be influence in part by atmospherics (Turley and Millman 2000), may be understood also in the context of balance theory (Abelson 1959). The latter theorist’s work suggests that if individuals are experiencing a pleasurable shopping experience and successfully purchasing products, then the intensity of their in store behaviors should reflect such experiences and successes. Patronage focused research supports such a perspective. For example, both positive emotional experiences associated with shopping and purchasing success have been shown to correlate with the in store activities of time allocated to, and money spent while, shopping (Babin, Darden and Griffin 1994; Babin and Attaway 2000). Similarly, Donovan and Rossiter (1982) reported that one’s impression of a pleasurable shopping environment contributed to: the amount of time spent shopping; the likelihood that one would spend more than one planned; and the likelihood of returning to the store in the future. The extent to which shoppers frequent a specific store has

been related also to task focused shopping experiences (Babin and Attaway 2000).

Arguably, the immediately preceding discussion involves heuristic thought (Chaiken, Liberman and Eagly 1989; Chen and Chaiken 1999). That is, an individual’s emotional and task focused experiences may operate as heuristic cues that influence the intensity of one’s patronage behavior. Thus, conceptual developments and findings suggest the following research hypothesis:

H₃: Emotional and task oriented experiences should be positively related to patronage intensity.

Mediation

Balance or consistency models suggest also that one’s self-image may contribute directly to the occurrence of word of mouth communication. For example, in discussing communicative acts, Newcomb (1953) explicitly recognizes that individuals may communicate with others from more than one view of oneself. Such a view suggests that one may have views of themselves as self as a communicator and as an object in the communication. This perspective implies that one expresses opinions about a topic and receives feedback from another about these opinions. In turn, the feedback enables and assists the originator of the communication to gauge the direction and magnitude of the reception, and when appropriate and necessary, adjust the opinion (cf. Folkes and Kiesler 1991). This process of impression management occurs also in heuristic thought in the form of impression motivation. That is, when individuals communicate with others, “...impression motivation is likely to be aroused...” as individuals engage in expressing “...attitudes that will be socially acceptable to potential evaluators, both real and imagined...” (Chaiken, Liberman and Eagly 1999, pp. 234-235.)

To be sure, the extent to which impression management in the context of conceptualizations of the self has contributed to understanding word of mouth communication has been somewhat illuminating and somewhat obscure. That is, generalized self-confidence,

based upon activity interest and opinion measures (e.g., Reynolds and Darden 1974) and conceptualized as a value and attitudinal variable, was associated with higher levels of opinion leadership (Summers 1970). Similarly, a somewhat different measure of the self, Rosenberg's (1965) measure of self-esteem, assisted with characterizing those individuals that engage in word of mouth communication; they possessed a healthy self-concept (Paridon 2004). Nevertheless, the previously cited work in CSSC by Bearden, Hardesty and Rose (2001) suggests that one's self-confidence may involve more than an understanding that higher levels of self-esteem or self-confidence accompany higher levels of interpersonal influence behavior. First, recall that CSSC is a construct that reflects one's interaction with and decisions made in a marketing environment. Second, consider that the decisions that are made (marketing environments experienced) lead to both personal and social outcomes confidence. Thus, one's shopping experiences may create thoughts about one's consumption specific social and personal confidence which may, in turn, be a foundation for the exchange of shopping focused word of mouth communication (cf. Paridon, Carraher and Carraher 2006). In other words, social and personal confidence may act as mediators.

A mediated relationship would be in agreement also with the model of heuristic thought. That is, the heuristic thought model proposes that heuristic cues may be used if prior experiences have established and confirmed a cue, heuristic rule, and message acceptance linkage (Chaiken, Liberman and Eagly 1989; Chen and Chaiken 1999). This linkage involves the distinctions surrounding an outcome, an intervening variable, and a cue that stimulates the intervening variable. In the words of Chaiken, Liberman and Eagly (1999, p. 216), heuristic thought involves "...the idea that specific rules, schemata, or heuristics can mediate people's attitude (or other social) judgments. We use the term 'heuristic cue' to refer to any variable whose judgmental impact is hypothesized to be mediated by a simple decision rule." Extending this definition to the present study leads to the following conclusion. If consumption specific social and personal

outcomes, confidence, and patronage behavior act as mediators (variables that intervene) between the heuristic cues of market related experiences (pleasurable and successful task focused shopping experiences) and shopping focused word of mouth communication (a social judgment), then the following research hypothesis should be confirmed:

H₄: Consumption related personal and social self-confidence and patronage behavior should mediate the effects of emotional and task focused shopping experiences upon retail word of mouth communication.

The conceptual diagram of Figure 1 depicts hypotheses one through four.

METHODOLOGY

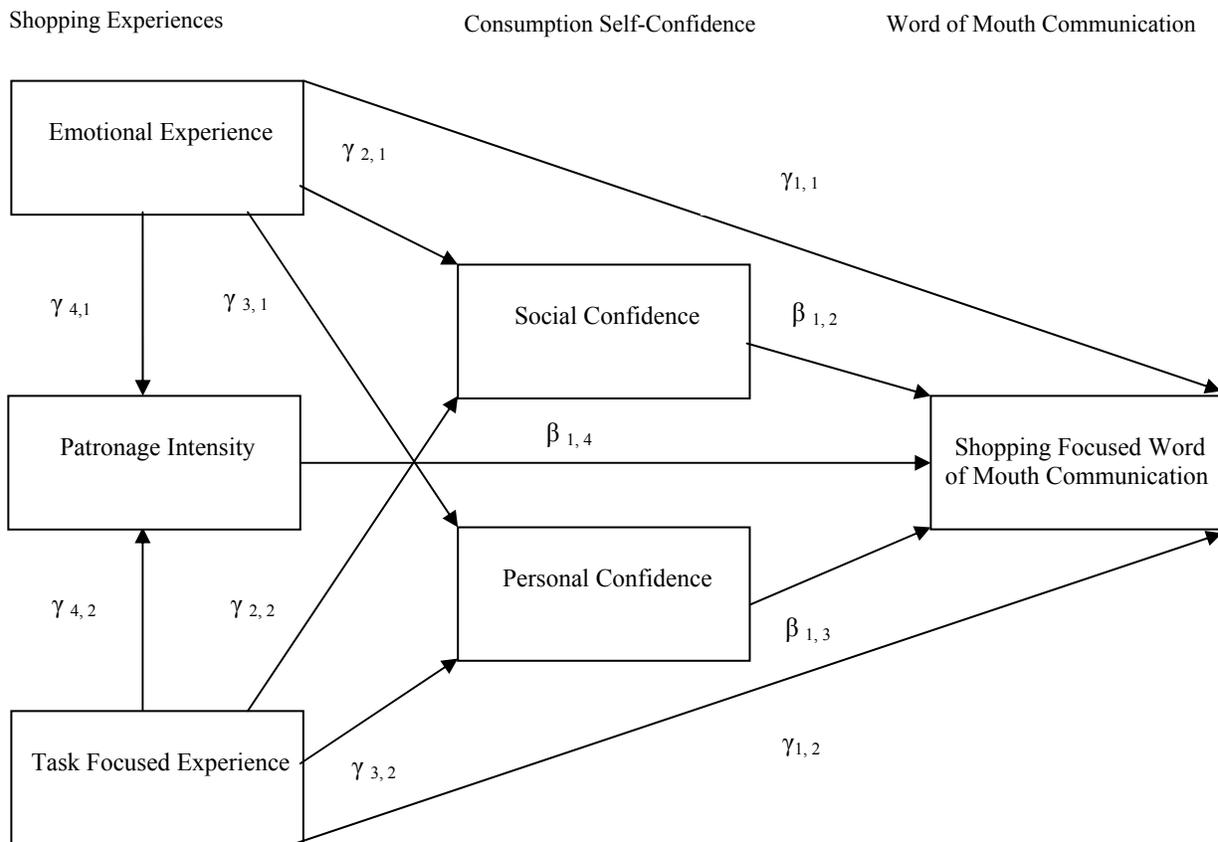
The research topic and the causal nature of the hypotheses required quantifiable responses to questions about shopping. Accordingly, a representative sample of shoppers was asked to complete a self-administered structured questionnaire. In the ensuing discussion, consideration is given first to the data collection phase. A discussion of the survey instrument follows.

Data Collection

Over a course of two weeks, research assistants, trained in interviewing procedures and techniques at a southwestern university, contacted their adult female friends and acquaintances and asked them to complete a self-administered structured questionnaire about shopping. Respondents were asked to provide a name and telephone number for the purpose of verifying their participation. The assistants were told to remain content neutral and answer only questions about the instructions for completing the questionnaire.

All questionnaires were distributed by the assistants to residents of a southwestern United States MSA. In order to obtain a diverse respondent population, each assistant was instructed to obtain completed questionnaires from a representative demographic cross section of the MSA. After eliminating incomplete and incorrectly completed returns (a

FIGURE 1
Model Hypothesizing the Relationships among Shopping Experience, Patronage Intensity, Consumption Self-Confidence, and Shopping Focused Word of Mouth Communication



total of twenty-four), 281 useable questionnaires remained. An analysis of the demographic profile of these returns indicated that the typical respondent is married with children, Caucasian, employed at least part time, and thirty-eight years old. She has completed at least some college courses and she resides in a household with an income of \$42,000. This profile does not differ substantially from an analysis of current MSA census data. A convenience sample of thirty respondents, two per assistant, was contacted by telephone and asked to verify their participation. All interviewees responded that they had completed the questionnaire.

Survey Instrument

Selection of the indicator variables for the six constructs of interest was influenced by recent research in measuring latent constructs that demonstrated the viability of using unipolar scales to attain acceptable values of reliability and/or validity coefficients (Feick and Price 1987; Darden and Babin 1994; Dabholkar, Thorpe and Rentz 1996; Bearden, Hardesty and Rose 2001; Clark and Goldsmith 2005). As an example, selection of the CSSC indicators (Bearden, Hardesty and Rose 2001) was guided by research in word of mouth communication that suggested that statements about “gift giving” and “agonizing over purchasing” did

not contribute to reliable social and personal self-confidence measurement (Paridon 2005).

Similar concerns for attaining an acceptable level of construct validity led to selecting unipolar emotional experience indicators and unipolar task focused measures. More specifically, four emotional indicators whose standardized factor loadings demonstrated an acceptable level of construct validity (Babin, Darden and Griffin 1994; Griffin, Babin, and Modianos 2000) were complemented with four task measures. Two task measures were chosen from the original work of Babin, Darden and Griffin (1994). In addition, one positively phrased task measure was suggested by research into the efficacy of including satisfaction as a measure of market place experiences. The rationale for selecting this indicator emerged from research that addressed the viability of satisfaction as a market place measure. In that study, Bagozzi, Gopinath and Nyer (1999, p. 201) state: "We suspect that previous studies finding discriminant validity for measures of satisfaction can be explained by the way the items were presented on the questionnaire (e.g. separation of measures of satisfaction from measures of other positive emotions) or the lack of a sufficient number of positive emotions." Thus, a context effect (cf. Podsakoff et al. 2003) can be expected when using satisfaction as a latent construct indicator and the findings of Babin, Darden and Griffin (1994) confirm its potential as a measure of task focused shopping behavior. The final task oriented measure, an overall assessment of the usefulness of the shopping trip, emerged also in previous research as a viable measure of task focused shopping (Paridon 2005; 2006).

Research in retail information sharing (Paridon 2004) and marketing focused interpersonal influence behavior (Feick, Price and Higie 1986; Higie, Feick and Price 1987) suggested specific indicators for word of mouth measures. In the current study, the measures address the altruistic nature of word of mouth communication (cf. Feick, Price and Higie 1986; Higie, Feick and Price 1987) as well as service related and product specific statements (Paridon 2005; 2006). Measures of patronage behavior (in store behaviors/activities) were

suggested from conceptualizations of experiential consumption (Hirschman and Holbrook 1982; Holbrook and Hirschman 1986), studies involving store atmospherics (Donovan and Rossiter 1982; Babin and Darden 1996; Babin and Attaway 2000), and research involving hedonic shopping motivations (Arnold and Reynolds 2003). The patronage intensity indicators used in this study focus upon money expenditures, time compression, personal interaction, and future shopping behavior.

Respondents were asked to complete the statements that measured emotional shopping experience, task focused shopping, and patronage intensity in the context of shopping for clothing and household items at their favorite department store. A similar frame of reference was used for the word of mouth indicators. Social and personal confidence measures were asked for in the context of overall purchasing behavior. For each set of four indicators for the six constructs, respondents were asked to indicate the extent to which they agreed, using a conventional seven point Likert type format, with the item. These standard semantic anchors were complemented by numeric anchors with one representing the least favorable interpretation of the statement and seven indicating the most favorable interpretation of the statement. For descriptive purposes, the questionnaire also contained the complete market maven scale (Feick and Price 1987), a measure of one's propensity to engage in general marketplace conversations. Standard demographic measures—gender, age, marital status, employment status, annual household income, education, and ethnicity—were included also.

DATA ANALYSIS AND RESULTS

The foundation for statistically analyzing a mediated model builds upon the testing of three sets of conceptual relationships (Baron and Kenny 1986; Kenny, Kashy and Bolger 1998). First, a relationship between the initial or mediated variables (emotional and task focused experiences) and the outcome variable (word of mouth communication) must be established. This relationship is reflected in hypothesis one.

Second, a relationship between the initial variables and the mediators (CSSC and shopping intensity) must be confirmed. Hypotheses two and three address this requirement. Finally, when the complete mediated model, hypothesis four, is analyzed, the relationships of hypothesis one must not attain statistical significance, and the relationships contained in hypotheses two and three must remain significant in the context of significant effects involving the mediated variables. If hypothesis four is accepted, then the case for mediation is plausible and the indirect effects of mediation (Bollen 1989) should be subjected to Sobel's (1982; 1986) test.

Preliminary Analysis

For the conceptual model portrayed in Figure 1, the statistical framework for the three analyses was structural equation modeling (Bollen 1987; 1989; Jöreskog and Sörbom 2001). However, since factor analysis plays a significant part in such analyses, the suitability of the indicators for factor analysis was evaluated using Bartlett's test for sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (Hair et al. 1998). For the twenty four measure evaluation, the KMO value was .89 and the significance of the Bartlett test was less than .001. Tests of the measures for each of the six constructs yielded a minimum KMO of .74, and the significance level of the Bartlett tests was less than .001. These tests indicated that an acceptable number of significant correlations existed within the indicator sets and confirmed the appropriateness of using factor analysis as an analytical method.

While the results of the maximum likelihood structural equation modeling that follow provide detailed information about the measures and the hypothesized relationships, the SEMs do not include the market maven scale indicators. Nevertheless, the Pearson product moment correlations for the market maven indicators and the construct measures of this study are insightful in that they enable comparisons of the principal indicators of this study with an accepted set of measures of marketing focused word of mouth

communication. The market maven correlations, each significant beyond $p = .01$, with the constructs are: word of mouth communication, .69; social confidence, .62; personal confidence, -.29; hedonic experience, .50; task focused shopping, .40; and patronage intensity, .47.

Factor reliability estimates (rho) and average variance extracted (ave) (Fornell and Larcker 1981) estimates for each of the constructs were considered before evaluating the structural equation model statistics. In presenting these reliability estimates, however, a concern for brevity resulted in a decision to discuss the reliabilities associated with the statistical analysis of research hypothesis four. These loadings, summarized in Tables 1 and 2, are not meaningfully different from the loadings associated with the SEM analyses of hypotheses one, two and three.

Rho for the emotional shopping experience construct was .80 and ave was .51. Both are acceptable. Acceptable values also characterized the task focused shopping measures—rho equals .87 and ave equals .62. Similarly, the social and personal construct estimates, rho values equal to .86 and .87 accompanied by ave values of .61 and .63 respectively, indicate that the measurement of these constructs also attained an acceptable level of consistency. For word of mouth communication, a rho of .82 and an ave value of .53 suggested a set of acceptable measures for this construct. Finally, for patronage intensity, a rho of .79 is acceptable although the ave of .48 is just short of the preferred ave value of .50.

The preceding average variance extracted values were used to evaluate the discriminant validity of the constructs. Briefly stated, the structural equation model test for discriminant validity requires the square of the construct correlations to be less than both variance extracted values (Fornell and Larcker 1981). The results of this comparison suggested an overall pattern of discernible differences between the constructs. Thirteen of the fifteen pairwise correlations between the six constructs met the criteria for discriminant validity. The

TABLE 1
Shopping Experience and Self-Confidence Factor Structures and Standardized Loadings

Construct	Factor Loading	Construct	Factor Loading
Emotional Shopping Experience		Social Outcomes Confidence	
The shopping trip was truly a joy.	.77	I impress people with the purchases I make.	.91
I had a good time because I was able to act on the spur of the moment.	.70	My friends are impressed with my ability to make satisfying purchases.	.88
I enjoyed the shopping trip for its own sake, not just for the items I may have purchased.	.69	I get compliments from others on my purchasing decisions.	.69
The shopping trip truly felt like an escape.	.68	My neighbors admire my decorating ability.	.60
Task Focused Shopping Experience		Personal Outcomes Confidence	
I was satisfied with the items I purchased.	.85	I often have doubts about the purchase decisions I make.	.82
The shopping trip was useful.	.84	I often wonder if I've made the right purchase decision.	.81
I accomplished just what I wanted to on the shopping trip.	.76	I never seem to buy the right thing for me.	.79
While shopping, I found just the item(s) I was looking for.	.70	Too often the things I buy are not satisfying.	.76

Note: All loadings are significant beyond $p = .05$

TABLE 2
Patronage Intensity and Shopping Focused Word of Mouth Communication Factor Structures and Standardized Loadings

Construct	Factor Loading
Patronage Intensity	
My favorite department store is a place where time seems to pass quickly when I shop.	.80
The next time I shop for clothing and household items I will shop my favorite department store.	.78
My favorite department store is a friendly place where talking with clerks comes easy.	.62
My favorite department store is the sort of place where I might end up spending more money than I set out to spend.	.55
Shopping Focused Word of Mouth Communication	
My friends and I enjoy talking about the styles and fashions we see on shopping trips.	.78
When my friends give me shopping advice I can use, I usually act on it.	.72
When we find quality service in a store, my friends and I let each other know.	.71
When I help a friend by telling her about my shopping experiences I feel good about myself.	.70

Note: All loadings are significant beyond $p = .05$.

value of .60 for the square of the correlation coefficient between consumption specific social confidence and word of mouth communication was greater than the ave value of .53 for word

of mouth communication. Similarly, the correlation of .71 between hedonic experience and patronage intensity resulted in the square of the coefficient, .50, exceeding the ave of .48 for

patronage behavior. Although these latter two comparisons suggest slight overlaps between the constructs, the results of the comparisons were not significant enough to abandon SEM based hypothesis testing.

Structural Equation Analysis

Hypothesis one involves testing the relationships between emotional reactions to and task success associated with shopping and word of mouth communication. A minimum fit function chi-square for this model of 122.10 with 51 degrees of freedom attained statistical significance beyond a level of .01. Since the stand alone chi-square test is sensitive to sample size, Bagozzi and Baumgartner (1994) recommend using other goodness of fit statistics, including Bentler's (1990) comparative fit index (CFI), to evaluate the reasonableness of the model. The suitability of using the CFI along with other goodness of fit indices as measures of the reasonableness of a model has been evaluated by Hu and Bentler (1999). In their study, in which they considered robust models (measured variables not multivariate normally distributed) of sample sizes ranging from 150 to 5,000 with nonzero factor covariances and indicators loading on only one factor, they reported that comparative fit indices (CFI) ranging from .90 to .96 in conjunction with standardized root mean square residual (SRMR) values of .06 to .10 suggested reasonable models (Hu and Bentler 1999, p. 16). The model for hypothesis one generated a CFI of .98 and SRMR of .05. Both values are in agreement with the findings of the latter authors. Another goodness of fit measure, the root mean square error of approximation (e.g., Rigdon 1996), is an indicator of the extent to which the model does not account for the indicator variances. Models that generate RMSEA values ranging from .05 to .08 are considered acceptable (Browne and Cudeck 1993). The RMSEA value for the model of hypothesis one, .07, suggests a reasonable model. The maximum likelihood structural coefficient values relating emotional shopping experiences and task related shopping success to word of mouth communication, .46 and .18, γ_{11} and γ_{12} , respectively of Table 3, attained statistical significance with t-values of 6.09

and 3.02, respectively. Hypothesis one is supported.

To test hypotheses two and three, a second SEM analysis was performed. The minimum fit function chi square of 469.24 with 163 degrees of freedom was significant beyond a level of .01. However, a CFI of .95, a RMSEA of .08, and a SRMR value of .07 compare favorably with the criteria for a reasonable model. Table 3 contains the maximum likelihood coefficients relating emotional and task focused shopping orientations to CSSC social and personal confidence and in store activity. Although in this analysis task focused shopping success does not contribute to either social or personal confidence, γ_{22} and γ_{32} respectively of Table 3, the other relationships of hypotheses two and three are supported: emotional experience influences social and personal confidence, γ_{21} $t = 5.84$ and γ_{31} $t = -3.57$, respectively; and emotional experience and task focused shopping experiences determine patronage intensity, γ_{41} $t = 5.94$ and γ_{42} $t = 3.53$, respectively. Since the results indicate that task focused shopping success is not related to either CSSC construct, a mediated relationship involving these three constructs is not possible.

The final SEM analysis involved all structural coefficient paths of Figure 1. The analysis generated a minimum fit function chi-square value of 605.05 with 240 degrees of freedom. The significance level of that statistic is less than .01. However, the model's CFI of .96, RMSEA of .07, and SRMR of .06 suggest a reasonable fit and the structural coefficients in Table 3 suggest mediation.

To be more specific, in this the third and final SEM analysis, if mediated relationships exist, the requirement that the statistically significant relationships of hypothesis one be transformed into statistical insignificance must be met. With t-statistics of 1.38 and .84, respectively, for the regressions of word of mouth communication on emotional and task focused experiences, the maximum likelihood structural equation coefficient values of .11 for γ_{11} and .04 γ_{12} , respectively, are not significant. Furthermore, the requirements for

TABLE 3
Mediated Analysis Structural Equation Coefficients

Coefficient	Initial Model	Mediator Model	Mediated Model
β_{12}			.43*
β_{13}			-.04
β_{14}			.31*
γ_{11}	.46*		.11
γ_{12}	.18*		.04
γ_{21}		.52*	.52*
γ_{22}		.12	.12
γ_{31}		-.44*	-.45*
γ_{32}		-.19	-.18
γ_{41}		.49*	.49*
γ_{42}		.22*	.22*

* Significance < .05.

the mediated relationships of hypothesis four are satisfied in part. That is, the maximum likelihood structural equation coefficients and associated t-values for the following paths suggest viable mediated relationships: emotional experience influencing social confidence, $\gamma_{21} = .52$, $t = 5.85$, and social confidence influencing word of mouth communication $\beta_{12} = .43$, $t = 8.17$; emotional experience determining patronage intensity, $\gamma_{41} = .49$, $t = 5.95$, and patronage intensity influencing word of mouth communication, $\beta_{14} = .31$, $t = 3.49$; and task focused shopping experience affecting patronage intensity, $\gamma_{42} = .22$, $t = 3.52$, and patronage intensity determining word of mouth communication $\beta_{14} = .31$, $t = 3.49$. Personal confidence did not produce a significant statistical effect upon word of mouth communication, β_{13} , and task

focused shopping success did not statistically influence either social or personal confidence, γ_{22} and γ_{32} respectively.

A final test for the significance of the mediated relationships focuses upon an evaluation of the indirect effects using the Sobel (1982; 1986) test. The results (effect /Sobel statistic/p value) are: emotional experience, social confidence, word of mouth — .22, $t = 4.73$, $p < .01$; emotional experience, patronage intensity, word of mouth — .15, $t = 2.99$, $p < .01$; and task focused experience, patronage intensity, word of mouth — .07, $t = 2.46$, $p < .05$. Hypothesis four is confirmed in part.

DISCUSSION AND CONCLUSIONS

The results suggest the existence of three word of mouth communication heuristics. The first, an emotional-social confidence heuristic, originates with an emotional shopping experience that activates one's consumption related social confidence which increases, in turn, the likelihood of the occurrence of word of mouth communication. The second, an emotional-patronage intensity heuristic, occurs when an emotional shopping experience determines the intensity of shopping behavior which leads to an increased potential for an exchange of shopping related information. The third, a task focused patronage intensity heuristic, begins with an emphasis upon accomplishing certain utilitarian related shopping goals which results in specific patronage behaviors that suggest interpersonal communication involving shopping. Accordingly, managers who wish to stimulate an interpersonal exchange of shopping related experiences may do so by activating either one's social confidence or patronage related thoughts. The former may best be accomplished by designing stores whose atmospherics are consistent with the aesthetic preferences of the target market and the latter by aesthetic appeals that result in store patronage. The complement to emotional based activation, task focused activation, suggests that merchandise selection and practices that are consistent with the target market will contribute to patronage behavior, with the result being a shopper who will inform others of the shopping experience.

Despite the positive findings involving the aforementioned heuristics, the results did not confirm a personal confidence heuristic. This departure from the hypothesized relationship may be attributable to several factors. First, the proposed heuristic was based in part upon extending the social judgment work of Forgas (1992) to include one's consumption related self-confidence. That is, the lack of a significant effect involving task focused shopping and the CSSC constructs of social and personal confidence may be due to basing the proposed relationships upon reasoning that was too extreme and overreaching. In other words, shoppers may have compartmentalized their

personal and social confidences with the result that there are some task focused shopping experiences that are not pertinent to discussions about shopping.

Second, the negative wording of the personal confidence indicators may have resulted in the lack of a significant effect upon word of mouth communication. However, for such an explanation to hold, one must consider the significant negative relationship between emotional shopping experience and personal confidence. In other words, for the negative wording explanation to be consistent, shoppers must: 1) believe that their ability to perform satisfactorily as purchasers (disagreement with the personal confidence measures) is unrelated to an emotional shopping experience; and 2) hold favorable thoughts about their ability to perform as purchasers (disagreement with the personal confidence measures), thoughts that would be unrelated to task focused shopping success and one's orientation toward discussing shopping related experiences. The first contradicts one finding of this study. Both contradict the conceptual bases of this study in that the explanations suggest that shoppers are not focused in their thoughts about their purchasing abilities, their shopping emotions, and their shopping focused word of mouth communication. These conceptual contradictions suggest the necessity for more research into these relationships.

However, for those involved in formulating retailing strategies, the findings offer a conceptual framework for studying the design and delivery of the store's retail offerings. The focus of these efforts should be upon identifying the aesthetic preferences and favorite merchandising practices of those shoppers whose patronage is to be cultivated. For example, the effects of specific combinations of sounds, scents, and colors upon consumption related social confidence and the duration or intensity of store focused behaviors should be addressed. Similarly, the contributions that merchandise displays and store focused and product specific information make to increasing the duration and/or intensity of the shopping effort should also be evaluated. Ultimately, the effects and

contributions that these emotionally related and task focused aids make to feelings of social confidence and patronage intensity behaviors should be examined also in the context of shopping related word of mouth communication.

Finally, an enhanced understanding of the antecedents of word of mouth communication may be possible by incorporating complementary modes of thought. Consider, for example, systematic thought, the complement to the mediated thinking of heuristic thought (Chaiken, Liberman and Eagly 1989). In systematic thought the emphasis is upon a thorough evaluation of the available information with the result that the information is integrated into decisions. Comparable processes are postulated by constructive thought (Bettman and Zins 1977) and contingency focused thinking (Bettman, Johnson and Payne 1991). In addition to offering an alternative to heuristic thought, these conceptualizations offer a distinct methodology for the study of integrative thinking. Using the conceptual bases and the methodologies recommended by these theorists, research focusing upon word of mouth communication may identify and clarify other specific task focused shopping occasions and variables as well as social emotional contexts that accompany marketing focused interpersonal influence exchanges among friends and acquaintances.

[1] The author thanks Professor Shawn Carraher and Sarah Carraher for their assistance with the preparation of this article.

REFERENCES

- Abelson, Robert P. (1959), "Modes of Resolution of Belief Dilemmas," *Journal of Conflict Resolution*, 3 (December), 343-352.
- Arnold, Mark J. and Kristy E. Reynolds (2003), "Hedonic Shopping Motivations," *Journal of Retailing*, 79 (2), 77-95.
- Babin, Barry J. and Jill S. Attaway (2000), "Atmospheric Affect as a Tool for Creating Value and Gaining Share of Customer," *Journal of Business Research*, 49 (2), 91-99.
- Babin, Barry J. and William R. Darden (1996), "Good and Bad Shopping Vibes: Spending and Patronage Satisfaction," *Journal of Business Research*, 35 (March), 201-206.
- Babin, Barry J., William R. Darden and Mitch Griffin (1994), "Work and/or Fun: Measuring Hedonic and Utilitarian Shopping Value," *Journal of Consumer Research*, 20 (March), 644-656.
- Babin, Barry J., Mitch Griffin and James S. Boles (1997), "Keeping Your Customers: An Exploratory Investigation of Patronage Loyalty," In *Enhancing Knowledge Development in Marketing*, Vol. 8, William M. Pride and G. Thomas M. Hult, eds. Chicago, IL: American Marketing Association, 251-252.
- Bagozzi, Richard P. and Hans Baumgartner (1994), "The Evaluation of Structural Equation Models and Hypothesis Testing," In *Basic Principles of Marketing Research*, Richard P. Bagozzi, ed. Oxford England: Blackwell Publishing, 386-422.
- Bagozzi, Richard P., Mahesh Gopinath and Prashanth U. Nyer, (1999), "The Role of Emotions in Marketing," *Journal of the Academy of Marketing Science*, 27 (Spring), 184-206.
- Baker, Julie, Dhruv Grewal and A. Parasuraman (1994), "The Influence of Store Environment on Quality Inferences and Store Image," *Journal of the Academy of Marketing Science*, 22 (Fall), 328-339.
- Baron, Reuben M. and David A. Kenny (1986), "The Moderator-Mediator Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations," *Journal of Personality and Social Psychology*, 51 (6), 1173-1182.
- Bearden, William O., David M. Hardesty and Randall L. Rose (2001), "Consumer Self-Confidence: Refinements in Conceptualization and Measurement," *Journal of Consumer Research*, 28 (June), 121-134.
- Bentler, Peter M. (1990), "Comparative Fit Indexes in Structural Models," *Psychological Bulletin*, 107 (March), 238-246.
- Bettman, James R. and Michael A. Zins (1977), "Constructive Processes in Consumer Choice," *Journal of Consumer Research*, 4 (September), 75-85.

- Bettman, James R., Eric J. Johnson and John W. Payne (1991), "Consumer Decision Making," In *Handbook of Consumer Behavior*, Thomas S. Robertson and Harold H. Kassarian, eds. Englewood Cliffs, NJ: Prentice-Hall, 50-84.
- Bollen, Kenneth A. (1987), "Total, Direct, and Indirect Effects in Structural Equation Models," In *Sociological Methodology*, Vol. 17, Clifford C. Clogg, ed. Washington, DC: American Sociological Association, 35-69.
- Bollen, Kenneth A. (1989), *Structural Equation Modeling*, New York, NY: Wiley.
- Browne, Michael W. and Robert Cudeck (1993), "Alternative Ways of Assessing Model Fit," In *Testing Structural Equation Models*, Kenneth A. Bollen and J. Scott Long, eds. Newbury Park, CA: Sage Publications, 136-162.
- Clark, Ronald A. and Ronald E. Goldsmith (2005), "Market Mavens: Psychological Influences," *Psychology and Marketing*, 22 (4), 289-312.
- Chaiken, Shelly, Akiva Liberman and Alice H. Eagly (1989), "Heuristic and Systematic Information Processing within and beyond the Persuasion Context," In *Unintended Thought*, James S. Uleman and John A. Barch, eds. New York, NY: Guilford Press, 212-252.
- Chen, Serena and Shelly Chaiken (1999), "The Heuristic-Systematic Model in Its Broader Context," In *Dual-Process Theories in Social Psychology*, Shelly Chaiken and Yaacov Trope, eds. New York, NY: Guilford Press, 73-96.
- Dabholkar, Pratibha, Dayle I. Thorpe and Joseph O. Rentz (1996), "A Measure of Service Quality for Retail Stores: Scale Development and Validation," *Journal of the Academy of Marketing Science*, 24 (Winter), 3-16.
- Darden, William R. and Barry J. Babin (1994), "Exploring the Concept of Affective Quality: Expanding the Concept of Retail Personality," *Journal of Business Research*, 29 (February), 101-109.
- Darden, William R. and Fred D. Reynolds (1974), "Backward Profiling of Male Innovators," *Journal of Marketing Research*, 11 (February), 79-85.
- Dawson, Scott, Peter H. Bloch and Nancy M. Ridgway (1990), "Shopping Motives, Emotional States, and Retail Outcomes," *Journal of Retailing*, 66 (Winter), 408-427.
- Donovan, Robert J. and John R. Rossiter (1982), "Store Atmosphere: An Environmental Approach," *Journal of Retailing*, 58 (Spring), 34-57.
- Feick, Lawrence F. and Linda L. Price (1987), "The Market Maven: A Diffuser of Marketplace Information," *Journal of Marketing*, 51 (January), 83-97.
- Feick, Lawrence F., Linda L. Price and Robin A. Higie (1986), "People Who Use People: The Other Side of Opinion Leadership," In *Advances in Consumer Research*, Vol. 13, Richard Lutz, ed. Provo, UT: Association for Consumer Research, 301-305.
- Flynn, Leisa Reinecke, Ronald E. Goldsmith and Jacqueline K. Eastman (1996), "Opinion Leaders and Opinion Seekers: Two New Measurement Scales," *Journal of the Academy of Marketing Science*, 24 (Spring), 137-147.
- Folkes, Valerie S. and Tina Kiesler (1991), "Social Cognition: Consumers' Inferences about the Self and Others," In *Handbook of Consumer Behavior*, Thomas S. Robertson and Harold H. Kassarian, eds. Englewood Cliffs, NJ: Prentice-Hall, 281-315.
- Forgas, Joseph Paul (1992), "Affect in Social Judgments and Decisions: A Multiprocess Model," In *Advances in Experimental Social Psychology*, Vol. 25, Mark P. Zanna, ed. San Diego, CA: Academic Press, 227-275.
- Fornell, Claes and David F. Larcker (1981), "Evaluating Structural Equation Models with Unobservable Variables and Measurement Error," *Journal of Marketing Research*, 18 (February), 39-50.
- Griffin, Mitch, Barry J. Babin and Doan Modianos (2000), "Shopping Values of Russian Consumers: The Impact of Habituation in a Developing Economy," *Journal of Retailing*, 76 (Spring), 33-52.
- Hair, Joseph F. Jr., Rolph E. Anderson, Ronald L. Tatham and William C. Black (1998), *Multivariate Data Analysis*, Upper Saddle River, NJ: Prentice Hall.
- Heider, Fritz (1946), "Attitudes and Cognitive Orientation," *Journal of Psychology*, 21, 107-112.

- Higie, Robin A., Lawrence F. Feick and Linda L. Price (1987), "Types and Amount of Word-of-Mouth Communications about Retailers," *Journal of Retailing*, 63 (Fall), 260-278.
- Hirschman, Elizabeth C. and Morris Holbrook (1982), "Hedonic Consumption: Emerging Concepts, Methods, and Propositions," *Journal of Marketing*, 46 (July), 92-101.
- Holbrook, Morris B. and Elizabeth C. Hirschman (1982), "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research*, 9 (September), 132-140.
- Hu, Li-tze and Peter M. Bentler (1999), "Cutoff Criteria for Fit Indexes in Covariance Structure Analysis: Conventional Criteria Versus New Alternatives," *Structural Equation Modeling*, 6 (1), 1-55.
- Jöreskog, Karl and Dag Sörbom (2001), *LISREL 8: User's Reference Guide*. Lincolnwood, IL, Scientific Software International.
- Kaltcheva, Velitchka D. and Barton Weitz (2006), "When Should a Retailer Create an Exciting Store Environment?" *Journal of Marketing*, 70 (January), 107-118.
- Katz, Elihu and Paul F. Lazarsfeld (1955), *Personal Influence*. New York, NY: Free Press.
- Keillor, Bruce D., G. Thomas M. Hult and Destan Kandemir (2004), "A Study of Service Encounters in Eight Countries," *Journal of International Marketing*, 12 (1), 9-35.
- Kenny, David A., Deborah A. Kashy and Niall Bolger (1998), "Data Analysis in Social Psychology," In *The Handbook of Social Psychology*, Vol. 1, Daniel T. Gilbert, Susan T. Fiske and Gardner Lindzey, eds. Boston, MA: McGraw-Hill, 233-265.
- Kozinets, Robert V., John F. Sherry, Benet DeBerry-Spence, Adam Duhachek, Krittinee Nuttavuthisit and Diana Storm (2002), "Themed Flagship Brand Stores in the New Millennium: Theory, Practice, and Prospects," *Journal of Retailing*, 78 (Spring), 17-29.
- Mattila, Anna S. and Jochen Wirtz (2001), "Congruency of Scent and Music as a Driver of In-Store Evaluations and Behavior," *Journal of Retailing*, 77 (Summer), 273-289.
- Michon, Richard, Jean-Charles Chebat and L. W. Turley (2005), "Mall Atmospheric: The Interaction Effects of the Mall Environment on Shopping Behavior," *Journal of Business Research*, 58 (May), 576-583.
- Newcomb, Theodore M. (1953), "An Approach to the Study of Communicative Acts," *Psychological Review*, 60 (November), 393-404.
- Paridon, Terrence J. (2004), "Retail Opinion Sharing: Conceptualization and Measurement," *Journal of Retailing and Consumer Services*, 11 (March), 87-93.
- Paridon, Terrence J. (2005), "The Effects of Personal Shopping Values in Consumer Self-Confidence and Retail Information Sharing Research," *Central Business Review*, 24 (1-2), 20-25.
- Paridon, Terrence J. (2006), "Extending and Clarifying Causal Relationships in Research Involving Personal Shopping Value, Consumer Self-Confidence, and Word of Mouth Communication," *Marketing Management Journal*, 16 (Spring), 32-43.
- Paridon, Terrence J., Shawn M. Carraher and Sarah C. Carraher (2006), "The Income Effect in Personal Shopping Value, Consumer Self-Confidence, and Information Sharing (Word of Mouth Communication) Research," *Academy of Marketing Studies Journal*, 10 (2), 107-124.
- Podsakoff, Philip M, Scott B. Mackenzie, Jeong-Yeon Lee and Nathan P. Podsakoff (2003), "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies," *Journal of Applied Psychology*, 88 (October), 879-903.
- Reynolds, Fred D. and William R. Darden (1971), "Mutually Adaptive Effects of Interpersonal Communication," *Journal of Marketing Research*, 8 (November), 449-454.
- Rigdon, Edward E. (1996), "CFI versus RMSEA: A Comparison of Two Fit Indexes for Structural Equation Modeling," *Structural Equation Modeling*, 3 (4), 369-379.
- Rosenberg, Milton (1965), *Society and the Adolescent Self-Image*, Princeton, NJ: Princeton University Press.

- Shim, Soyeon and Mary Ann Eastlick (1998), "The Hierarchical Influence of Personal Values on Mall Shopping Attitude and Behavior," *Journal of Retailing*, 74 (Spring), 139-160.
- Sobel, Michael E. (1982), "Asymptotic Confidence Intervals for Indirect Effects in Structural Equation Models," In *Sociological Methodology*, Samuel Leinhardt, ed. San Francisco, CA: Josey-Bass, 290-312.
- Sobel, Michael E. (1986), "Some New Results on Indirect Effects and Their Standard Errors in Covariance Structure Models," In *Sociological Methodology*, Vol. 16, Nancy Brandon Tuma, ed. Washington, DC: American Sociological Association, 159-186.
- Summers, John O. (1970), "The Identity of Women's Clothing Fashion Opinion Leaders," *Journal of Marketing Research*, 7 (May), 178-185.
- Titus, Philip A. and Peter B. Everett (1995), "The Consumer Retail Search Process: A Conceptual Model and Research Agenda," *Journal of the Academy of Marketing Science*, 23 (Spring), 106-119.
- Turley, L. W. and Ronald E. Milliman (2000), "Atmospheric Effects on Shopping Behavior: A Review of the Experimental Evidence," *Journal of Business Research*, 49 (August), 193-211.
- Wakefield, Kirk L. and Julie Baker (1998), "Excitement at the Mall: Determinants and Effects on Shopping Response," *Journal of Retailing*, 74 (Winter), 515-539.
- Wang, Liz C., Julie Baker, Judy A. Wagner and Kirk Wakefield (2007), "Can a Retail Web Site Be Social?" *Journal of Marketing*, 71 (July), 143-157.

THE STUDENT ORIENTATION OF A COLLEGE OF BUSINESS: AN EMPIRICAL LOOK FROM THE STUDENTS' PERSPECTIVE

MICHAEL PESCH, Saint Cloud State University
ROBERT CALHOUN, Saint Cloud State University
KENNETH SCHNEIDER, Saint Cloud State University
DENNIS BRISTOW, Saint Cloud State University

Administrators in higher education are adopting a strategic marketing approach as they face an increasingly competitive educational environment. More and more universities are employing branding strategies and a customer orientation in order to differentiate themselves from other institutions and to better understand the needs of students. This study presents the adaptation and application of the Collegiate Student Orientation Scale (CSOS) in an AACSB accredited college of business. Implications of the results and administrative applications for the new scale are discussed.

INTRODUCTION

“The Power of X.” A visit to the web site of Xavier University in Cincinnati, Ohio provides the viewer with a subtle but powerful indicator of how administrators and marketers at that institution are applying the science of marketing. “The Power of X”, which serves as the university’s “brand” and permeates the Xavier web site, provides a focal point for many of the university’s promotional messages – from promotions targeting incoming freshman (www.xavier.edu/stx) to communications directed at Xavier alumni (<http://www.xu.edu/legacyfund/>).

In 2001, the University of Cincinnati introduced a branding initiative. Working with the university’s communication offices, the branding initiative was designed to, in part, build long-term brand equity, enhance credibility, and generate powerful value perception (<http://www.uc.edu/ucomm/documents/UCBrandingStandards.pdf>). The University of Cincinnati’s Brand Manual states:

The UC brand is based on its brand essence, brand character and brand attributes, creating a point of difference

among competing universities. (University of Cincinnati Brand Standards).

In 2002, the University of Hawai’i System announced the hiring of the Brand Strategy Group to help identify the characteristics that comprised the brand identity of the University of Hawai’i System. University officials noted that:

Our brand promise makes us unique, and differentiates us from every other university system in the world. (The University of Hawai’i System Update 2002)

Officials at Xavier, the University of Cincinnati (UC), and the University of Hawai’i System (UHS) and hundreds of other colleges and universities recognize that they now operate in a highly competitive and dynamic environment (brandchannel.com 2006), an environment that offers the top students from around the world the opportunity to choose from thousands of quality colleges and universities. As an example of the many institutional choices available to prospective and current university students, consider the following: In the state of Minnesota, some sixty-six private and/or public four-year schools compete to attract the brightest and best students from around the world. In California, over 130 such institutions are vying to attract and retain students. In the

state of New York, nearly 150 colleges and universities are competing for students.

Xavier, UC, and UHS officials have joined a growing list of schools that build competitive advantage by viewing the relationship between students and universities from a marketing exchange perspective. A growing body of research supports this approach (i.e., Amyx and Bristow 1999; Amyx, Bristow and Luehlfing 2006; Bristow 1998; Bristow and Amyx 1999; Bristow and Amyx 2006; Canterbury 1999; Chadwick and Ward 1987; Coffey and Wood-Steed 2001; Krush, Bristow and Schneider 2006; Licatta and Frankwick 1996; Mazzarol, Soutar and Thein 2000; Pate 1993). An important component of this marketing perspective is the adoption of the marketing concept, which is based upon a simple underlying business philosophy:

In order to best achieve organizational goals and objectives and to ensure the organization's long-term success, the firm must focus on the identification and satisfaction of both customer and organizational needs. (Drucker 1954; Levitt 1960; Webster 1988; Kotler and Armstrong 2001; Zikmund and d'Amico 2002).

University officials who apply the marketing concept to academia recognize the importance of adopting a customer orientation. Such a perspective does not imply that colleges and universities strive solely to satisfy the needs of students no matter the cost in terms of providing a quality educational experience for those students. Rather, the adoption of a customer orientation in academia means that the needs of multiple stakeholders - including the university, the students, and employers - are recognized and addressed. University administrators who adopt such an orientation must endeavor to provide students with a challenging and quality education that will enable them to pursue successful, productive careers and to contribute to the communities in which they live and work. In producing such students, the needs of employers are met, and the reputation of the university is enhanced.

In short, the adoption of a customer orientation in an educational setting means that the university looks at the educational experience from the perspective of the student. A key, therefore, to successfully implementing the marketing concept and adopting a customer orientation in academia is to assess student perceptions of the institution's commitment to understanding and meeting student needs.

University and college of business administrators can once again look to the world of business to provide an example of the importance of adopting a marketing concept orientation. Since the mid-1990s, many for-profit businesses have devoted resources to a phenomenon called the "Complaint Iceberg," where only a small minority of dissatisfied customers step forward to register their complaints with the company. British Airways (BA) discovered that only eight percent of dissatisfied customers bothered to contact Customer Relations to discuss their problems. Based on its success in retaining customers when it had the chance to address complaints, BA made concerted efforts to make it easier for customers to communicate with the company.

Higher education faces its own Complaint Iceberg. Students quickly learn that their university has so many institutional barriers involving multiple-step processes to register a complaint that very few students bother to let anyone know they are unhappy with the services being provided to them. The fact that only a few students complain leads most faculty and administrators to think that the institution is doing a great job of generating vast numbers of happy and loyal students (and subsequently, alumni). This may not be the case.

If in fact business school administrators cannot rely on students to come forth of their own volition to complain that their needs are not adequately being met, those officials must take a more proactive approach. Specifically, through formal surveys of the student body, administrators can identify latent problems with student perceptions of the sensitivity of the college to their needs. But in designing such a

research program, the question arises, “How do business school officials empirically assess student perceptions of the extent to which the college meets their needs?” One approach to measuring those perceptions lies in the adaptation of an extant measurement instrument, the Collegiate Student Orientation Scale, for use by business school administrators.

Bristow and Schneider (2005) developed the Collegiate Student Orientation Scale (CSOS), an instrument designed to allow university officials to empirically measure the degree to which they are or are not perceived by students as being student oriented. The assessment instrument, can in effect, be used by administrators to prevent the “Complaint Iceberg” from growing to a size capable of causing significant damage to the institution..

The CSOS is a multi-item measure developed for use at the university-wide level and measures the “degree to which students feel a university makes decisions and takes action based upon the needs of the organization as well as those of the students” (Bristow and Schneider 2005).

THE STUDY

The research involved the adaptation of the CSOS for use in a college/school of business in order to measure, from the student’s perspective, the degree to which that college/school is student oriented. The construct of student orientation was defined by Bristow and Schneider (2005) as follows:

Student orientation means the degree to which a college/university takes actions and makes decisions based upon the needs of the students as well as the goals and objectives of the institution.

The CSOS is uni-dimensional and in previous research has demonstrated adequate internal reliability (.903) (Bristow and Schneider 2005). The CSOS consists of seven items with response categories ranging from 1 (strongly

disagree) to 6 (strongly agree). Thus, summated scores on the scale could range from a low of 7 to a high of 42, with a possible 35 point spread and a theoretic scale midpoint of 24.5. In interpreting respondent scores on the scale, the higher a respondent’s score, the greater would be that respondent’s opinion that the university was indeed student oriented. Low scale scores would indicate that a respondent felt the organization was less student oriented. Given the possible 35 point spread, a composite score of 24 or less would indicate that students viewed their university as being at least marginally non-student oriented. A composite scale score of 25 or higher would indicate the student perception that the university was at least somewhat student oriented.

The remainder of this manuscript presents the findings of a study in which the CSOS was adapted for use in an AACSB accredited college of business and the results of the application of that revised scale in such a setting.

PARTICIPANTS

Participants in the study were 482 undergraduate students attending a large mid-western state university. Responses to demographic items in the study showed that 270 female and 205 male students completed the survey instrument (7 participants did not indicate their gender), and that 456 (95 percent) of the participants were business majors. Exhibit 1 presents a demographic profile of the participants. The participants in the study were volunteers from multiple sections of junior/senior level courses representing the five major programs in the college of business.

Procedure

The psychometric strength of the CSOS led the authors of this manuscript to adapt and apply the original seven-item scale (see Exhibit 2a) in a school of business setting. The adapted CSOS scale items are presented in Exhibit 2b.

**EXHIBIT 1
Demographic Profile of Participants***

Demographic Variable	N	%	
Age	18-21 years	196	40.6%
	22-25 years	242	50.2%
	26-29 years	17	3.5%
	30-33 years	6	1.2%
Gender	Female	270	56.0%
	Male	205	42.5%
*Note: Due to non response on some items, totals and category responses may differ			

**EXHIBIT 2A
College Student
Orientation Scale (CSOS) Items**

1. * ____ cares about students.
 2. * ____ takes the time to learn more about students.
 3. * ____ takes the needs of students into consideration.
 4. * ____ provides good value for the students' dollar.
 5. * ____ feels that students are important.
 6. * ____ feels that the needs of students are at least as important as the needs of faculty and staff.
 7. * ____ is concerned with providing a satisfying educational experience for students.
- * The appropriate university/college name would be used to complete these items.

**EXHIBIT 2B
Adapted College Student
Orientation Scale (ACSOS) Items**

1. The * ____ tries to help students achieve their goals.
 2. The * ____ takes the time to learn more about students.
 3. The * ____ takes the needs of students into consideration.
 4. The * ____ provides good value for the students' dollar.
 5. The * ____ feels that students are important.
 6. The * ____ feels that the needs of students are at least as important as the needs of faculty and staff.
 7. The * ____ is concerned with providing a satisfying educational experience for students.
- * The appropriate college/school of business name would be used to complete these items.

Once again following the lead of Bristow and Schneider and their work on the CSOS (2005), the seven revised CSOS items were written into a six-point Likert format with response categories ranging from (1) strongly disagree to (6) strongly agree. Those seven items, coupled with several demographic questions, were administered to the undergraduate participants during regularly scheduled class times.

Results

Although the original seven-item CSOS has in the past exhibited strong evidence of internal reliability, due to the revisions of the items for use in the current study, the authors evaluated the psychometric properties of the adapted scale. Analyses revealed an overall Cronbach alpha of .925 for the adapted scale and item-to-total correlations warranted the inclusion of all seven scale items in further analyses and investigations. Finally, a common factors procedure with a varimax rotation and no *n*-factor specified resulted in the extraction of a single factor. Exhibit 3 shows the psychometric properties of the adapted CSOS.

**APPLICATION AND DISCUSSION OF
THE CSOS IN A COLLEGE OF BUSINESS**

The CSOS was designed by Bristow and Schneider (2005) as a tool with which university officials could effectively assess student perceptions of the degree to which a college or university is/is not student oriented. In this study, the CSOS was revised and adapted for specific application in a college of business.

As with the original CSOS instrument, participant scores on the adapted CSOS (ACSOS), when summed across all seven items of the six-point scale, could range from a low of 7 to a high of 42, with a possible 35 point spread and a theoretic scale midpoint of 24.5. The higher a respondent's summated score on the scale, the greater would be that respondent's judgment that the business school was student oriented, while lower summated scores would provide evidence that respondents considered

the college to be less student oriented. With a maximum possible spread of 35 points, a summated ACSOS score of 24 or less would indicate that students viewed the college of business of interest as being at least marginally non-student oriented. An ACSOS summated score of 25 or more would indicate the student perception that the college of business was at least moderately student oriented.

Descriptive statistics revealed that summated respondent scores on the ACSOS ranged from a low of 7 to a high of 42, with a mean adapted ACSOS score of 29.34. On average, then, based upon those scores, officials at the college of business where the study was conducted could conclude that students perceived the college as being somewhat student oriented. Further analysis revealed that 20.6 percent of the student respondents viewed the college of business as being marginally *non*-student oriented (ACSOS summated score of 24 or less), while nearly 80 percent of the participants rated the school as at least slightly student oriented (ACSOS summated score greater than 25).

Once again following the procedures of Bristow and Schneider (2005) in their work on the original CSOS, the authors of this manuscript assigned descriptive headings to each of the response categories on the ACSOS. In this case, given the scale end-points of '1' (strongly

disagree with a scale statement) and '6' (strongly agree with a scale statement) a respondent who circled the number '4' on a scale item would indicate that he/she agreed somewhat with that item. Similarly, a response of '5' to a scale item would indicate strong (but not complete) agreement with that statement. On the other hand, if a participant circled the number '3' on a scale item, the response would show that he/she disagreed somewhat with the item, while a '2' response to an item would indicate strong, but not complete, disagreement with that item and so forth.

Accordingly, a composite ACSOS score of 28 (7 scale items times a scale response of 4 to each) would indicate that the respondent agreed somewhat with the idea that the university was student oriented. A composite scale score of 35 (7 scale items times a scale response of 5 to each item) would indicate strong agreement with that same idea. Conversely, an ACSOS summated score of 21 (7 scale items times a scale response of 3 to each) would indicate that a respondent disagreed somewhat with the concept that the college was student oriented. Similarly, ACSOS summated scores of 14 would indicate that respondents disagreed strongly with the idea that the school was student oriented.

Further analysis of students' ACSOS summated scores showed that 2.3 percent of the

EXHIBIT 3					
Psychometric Evaluation of the Adapted College Student Orientation Scale					
Scale Item Number	Factor Loading	Scale Item Mean	Scale Item Std. Dev.	Item-to-Total Correlation	Alpha if Item Deleted
1.	.831	4.52	1.01	.763	.913
2.	.775	3.56	1.08	.695	.920
3.	.867	4.05	1.09	.811	.908
4.	.787	4.42	1.16	.710	.919
5.	.874	4.37	1.03	.819	.908
6.	.822	4.04	1.13	.752	.914
7.	.864	4.41	1.05	.672	.909
Overall Cronbach Alpha = .925					

respondents disagreed strongly with the idea that the college was student oriented (ACSOS summated scores of between 7 and 14) and that 8.2 percent of the respondents disagreed somewhat with that idea (ACSOS summated scores of between 15 and 22). The analyses also showed that 46.1 percent of the student participants viewed the college of business as being somewhat student oriented (ACSOS summated scores of between 28 and 34), and that 20 percent indicated strong agreement with the idea that the school was student oriented (ACSOS summated score of 35 or higher). Figure 1 shows a distribution of ACSOS summated scores for all 470 students for whom such scores could be calculated.

MANAGERIAL IMPLICATIONS

Administrators in the college of business at the institution where the current study was conducted might view the findings from this study as a mix of good and not so good news. On the positive side, student responses showed that from perspective of the participants, the college was at least marginally student oriented. However, closer scrutiny of student responses revealed that while less than three percent of the respondents strongly believed that the college of business was *not* student oriented, only 20 percent of the students strongly believed that the college *was* student oriented.

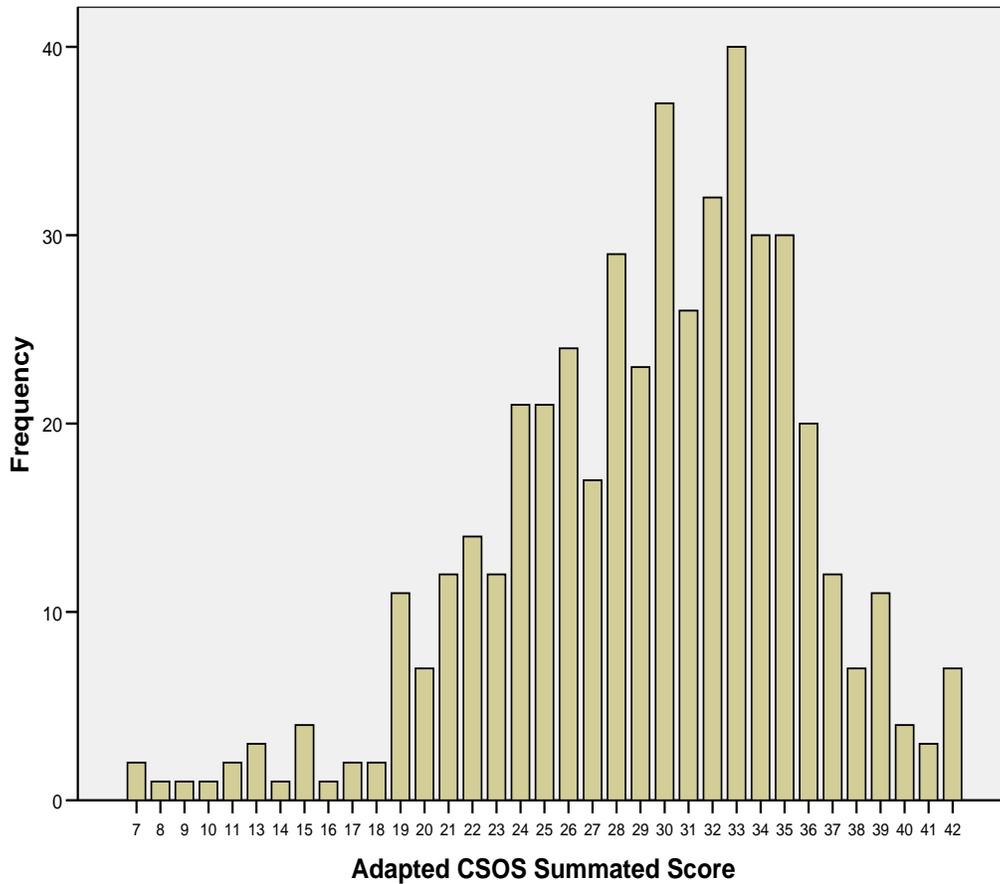
Viewed from this perspective, it becomes readily apparent that the student orientation of the college, at least from the perspective of the students, warrants serious further consideration. The primary researchers in this study would advise administrators in the college to conduct additional research in order to empirically investigate a series of related research questions. First, the college could develop a research program designed to better understand specific factors related to student perceptions of student orientation in the college. At the same time, that research could be extended to other, similar colleges of business and student orientation comparisons could be drawn. Based upon the findings of such studies, administrators could develop strategic plans to

change student perceptions of the school's level of student orientation or to deploy resources in order to actually improve the student orientation of the school.

The findings also suggest that colleges of business might consider the development and implementation of a cooperative, university-wide internal marketing program. Such a program could focus on the education and training of all college/university employees on the importance of student orientation. The program could emphasize the underlying philosophy that students' perceptions of the university and the various colleges or schools under the university umbrella are molded by virtually each and every employee with whom they come in contact and by each service contact experienced by the students. That philosophy is consistent with the marketing concept and the idea of cross-functionality throughout the university – from the desks of departmental office managers to the offices of the general maintenance workers to the office of the Provost and President. The creation of a truly student oriented college of business is dependent upon all units of the university working toward that common goal.

The findings in the study are also important when we consider the competitive environment in which schools of business operate. Just as automobile makers and computer firms face intense competition, universities and colleges of business seek to develop sustainable comparable advantages in a highly competitive marketplace. As noted in the introduction of this manuscript, students today can choose from literally thousands of universities in the United States alone. As of December 2006, students can choose from 540 colleges of business which are accredited by AACSB International (AACSB 2007). The development of student oriented programs and policies which are consistent with the overall business philosophy of the marketing concept is one way in which administrators can differentiate their colleges of business in a long and growing list of quality schools.

FIGURE 1
Summated Adapted CSOS Scores



The adapted CSOS and the results of this study also have important implications in the area of student retention. Student retention, especially after the first year of study, is becoming more and more important as a strategic initiative in higher education, including in schools of business. In an environment of escalating competition, where more and more business schools compete for fewer and fewer students, retaining students that have enrolled in one's institution is both cost effective and a source of sustainable competitive advantage for the program that succeeds in keeping a high percentage of its freshman class.

Retention is especially challenging in business schools where freshman typically have little or no contact with their professional program, pursuing instead the completion of their general

studies program, coupled with the occasional pre-business class. Business schools have found it necessary to adopt creative strategies to better "bond" the freshman class to its business program (see, for example, Braunstein and McGrath 1997, McGrath and Braunstein 1997, and Braunstein, Lesser and Pescatrice 2006). The ACSOS certainly represents one metric by which business schools can monitor the relative success of these and related programs designed to enhance retention. While the retention rate itself is of paramount importance, the extent to which returning sophomores feel that the business school has indeed attended to their needs and desires as freshman (i.e., their perceptions regarding their school's level of student orientation, as measured by the ACSOS) would be equally informative.

LIMITATIONS AND FURTHER RESEARCH

As with any piece of empirical research, there are limitations to be acknowledged in the research just described. Perhaps the greatest limitation of the study is that the findings are based on a single data collection in one business school. While most uses of the ACSOS would naturally be restricted to the marketing and strategic efforts at a specific, particular school, further examination of the psychometric properties of the scale using a wider “net” to capture different types of business schools would certainly be helpful, including perhaps across business schools by size, by region of the country, by domestic versus international, by Carnegie classification, by source of funding (i.e., public or private), and so on.

Second, although the early results discussed herein suggest the ACSOS will retain positive psychometric results as it is examined in other business schools, there was no opportunity to assess anything beyond face validity of the scale in the present study, not even in rudimentary fashion. Questions as to whether the scale possesses convergent, divergent and/or discriminant validity remain for future research efforts.

Finally, moving forward, it would be very interesting to hear reports of business schools’ successes (or failures) using the ACSOS to assess various programs and strategies as previously discussed.

REFERENCES

- AACSB International (2007), “Accredited Institutions.” <http://aacsb.edu/accreditation/accreditedmembers.asp>
- Amyx, Douglas and Dennis N. Bristow (1999), “The Marketing Concept in an Academic Setting: Assessing and Comparing the Needs of Asian/Pacific Islander and Anglo Consumers of the Educational Product,” *Journal of Customer Service in Marketing and Management*, 5 (4), 65-80.
- Amyx, Douglas, Dennis N. Bristow and Michael S. Luehlfig (2006), “Instructor Desirability, Student Choice, and Student Satisfaction: An Experiment,” *Wisconsin Journal of Business Education*, 55 (1) Winter 06/07, 16-24.
- Braunstein, A. and M. McGrath (1997), “The Retention of Freshmen Students: An Examination of the Assumptions, Beliefs, and Perceptions Held by College Administrators and Faculty,” *College Student Journal*, 31 (2), 188-200.
- Braunstein, A., M. Lesser and D. Pescatrice (2006), “The Business of Freshman Student Retention: Financial, Institutional and External Factors,” *Journal of Business and Economic Studies*, 12 (2), 33-56.
- Bristow, Dennis N. (1998) “Do You See What I See? The Marketing Lens Model in an Academic Setting,” *Journal of Marketing for Higher Education*, 8 (4), 1- 16.
- Bristow, Dennis N. and Douglas Amyx (1999), “Consumer Primacy on Campus: A Look at the Perceptions of Navajo and Anglo Consumers” *Journal of Nonprofit and Public Sector Marketing*, 7 (2), 31-44.
- Bristow, Dennis N. and Douglas Amyx (2006), “The Satisfaction with Cultural Diversity In the Educational Environment Scale (SCDEE): Development and Testing.” *Review of Business Research*, VI (3), 28-38.
- Bristow, Dennis N. and Kenneth Schneider, (2002), “The Collegiate Student Orientation Scale (CSOS): Application of the Marketing Concept to Higher Education.” *Journal of Marketing for Higher Education*, 12 (2), 15-34.
- Brown, Gene, Robert E. Widing II and Ronald L. Coulter (1991), “Customer Evaluations of Retail Salespeople Utilizing the SOCO Scale: A Replication, Extension, and Application,” *Journal of the Academy of Marketing Science*, 19 (Fall), 347-351.
- Canterbury, Richard M. (1999), “Higher Education Marketing: A Challenge,” *Journal of Marketing for Higher Education*, 9 (3), pp. 15-24.

- Chadwick, K. and J. Ward (1987), "Determinants of Consumer Satisfaction With Education: Implications for College and University Administrators," *College and University*, 62, 236-246.
- Churchill, Gilbert A. Jr., (1979), "A Paradigm for Developing Better Measures of Marketing Constructs," *Journal of Marketing Research*, 16, February, 64-73.
- Churchill, Gilbert A. Jr., Neil M. Ford and Orville C. Walker, Jr. (1974), "Measuring the Job Satisfaction of the Industrial Salesman," *Journal of Marketing Research*, 11(August) 254-260.
- Coffey, J. Steven and Ruth Wood-Steed (2001), "Center of Attention: College and University Student Centers Are Not Just Another Campus Building; They Have Become Marketing Tools for Institutions," *American School and University*, 74, 3, November pp. 351-353.
- Drucker, Peter F. (1954), *The Practice of Management*, New York, NY: Harper and Row.
- Krush, Michael, Dennis Bristow and Ken Schneider (2006), "The Student Connectedness Scale (SCS): A Tool for Proactively Managing the Student-Institution Relationship," *International Journal of Business Research*, VI (2), 35-49.
- Levitt, Theodore (1960), "Marketing Myopia," *Harvard Business Review*, July-August, 45-45.
- Licatta, Jane and Gary L. Frankwick (1996), "University Marketing: A Professional Service Organization Perspective," *Journal of Marketing for Higher Education*, 7 (2), 1-16.
- Mazzarol, Tim, Geoffrey N. Soutar and Vicky Thein (2000), "Critical Success Factors in the Marketing of an Educational Institution: A Comparison of Institutional and Student Perspectives," *Journal of Marketing for Higher Education*, 10 (2), pp. 39-58.
- McGrath, M. and A. Braunstein (1997), "The Prediction of Freshman Attrition: An Examination of the Importance of Certain Demographic, Academic, Financial, and Social Factors," *College Student Journal*, 31 (3), 396-408.
- Pate, William S. Jr. (1993), "Consumer Satisfaction, Determinants, and Post-Purchase Actions in Higher Education: A Model to Guide Academic Managers," *College and University*, Spring/Summer, 100-107.
- Saxe, Robert and Barton A. Weitz (1982), "The SOCO Scale: A Measure of the Customer Orientation of Salespeople," *Journal of Marketing Research*, 19, 343-351.
- Webster, Frederick E. Jr. (1988), "The Rediscovery of the Marketing Concept," *Business Horizons*, May-June, 29-39.
- Zikmund, William G. and Michael d'Amico (2002), *Effective Marketing: Creating and Keeping Customers in an e-Commerce World*, Cincinnati, South-Western.

MARKETING IMPLICATIONS OF LOCUS OF CONTROL ORIENTATION AMONG COLLEGE STUDENTS: COMPARISONS OF HISPANIC AND ANGLO STUDENTS IN THE UNITED STATES

RUSSELL ADAMS, The University of Texas at Brownsville
MORRIS KALLINY, Missouri University of Science and Technology
GILBERTO DE LOS SANTOS, The University of Texas-Pan American
YONG JIAN WANG, Ohio University

Business Week's report "Hispanic Nation" (Grow et al. 2004), states that the 39 million Hispanic immigrants will drive growth in the U.S. population's workforce, and that Latinos are the nation's largest minority with their disposable income surging up nearly 30 percent in two years—double the rate of the rest of the population. The purpose of this paper is to assess the LOC among college students, to determine the differences between Hispanic and Anglo students regarding their LOC, and to investigate how this might impact marketing strategies for Hispanics.

INTRODUCTION

Business Week's report "Hispanic Nation" (Grow et al. 2004), states that the 39 million Hispanic immigrants will drive growth in the U.S. population's workforce, and that Latinos are the nation's largest minority with their disposable income surging up nearly 30 percent in two years—double the rate of the rest of the population. The Latino population has grown dramatically in recent years, now comprising 12.5 percent of the total U.S. population, with Mexican Americans making up 58 percent of all Latinos (Census Bureau 2001). Overall, Hispanics nationwide are expected to spend \$580.5 billion in 2002, up from \$490.7 billion in 2000 and the \$223 billion spent in 1990 (Hispanic Business 2002). A recent market research estimates that the current Hispanic population is running into 45 million with a purchasing power at \$704 billion (Arnold 2006).

Given the complexity of understanding the nature of Hispanics as a cultural and sub-cultural group (Fennell and Saegert 1992), a contingency model is more appropriate for

analyzing the marketing implications of Hispanics (Roth and Moorman 1988). Accepting that the basic construct of both Triandis' (1993, 1995) and Hofstede's (1994) work is true, that people are guided to some extent by their culture, it is also true that there are important individual variables such as socioeconomic status, education, and acculturation that also influence an individual's behavior. This might also incorporate the impact of psychographic factors, such as the Locus of Control (LOC). As mentioned by Chung and Fisher (1999), culture is not always the overriding factor in peoples' lives as others may suppose.

The purpose of this paper is to assess the LOC among college students, to determine the differences between Hispanic and Anglo students regarding their LOC, and to investigate how this might impact marketing strategies for Hispanics. Traditional theories such as those of Hofstede (1994) and Trompenaars (1994) argue that Hispanics will have higher external locus of control. However, recent research (Eckman et al. 1997; Grow et al. 2004; Massey and Denton 1985; Portes and Zhou 1992), show that Hispanics are acculturated through the educational process and; therefore, should see a less significant difference in their locus of

control score. For marketers this is an important distinction because specialized messages targeted at minorities may be a necessary utilization of marketing resources. As this minority group continues to grow, it is imperative that marketers understand this segment of the population so they increase their effectiveness in marketing to Hispanics. The importance of this has increased significantly with the television stations, etc. because companies can design and execute a marketing strategy directed at Hispanics in their dominant language.

Hispanic college students are the focus of this study because they have the potential for greatly increasing their economic buying power, and for exhibiting psychographic variability similar to the overall population (Adams et al. 2004). This paper attempts to answer two basic questions: (1) What are the similarities and differences between Hispanic students and Anglo students on LOC? and (2) Are there any differences among Hispanic students on LOC due to level of education, income, and class?

These questions have important implications for marketers, especially those targeting the lucrative 18-34 age group market. It will help marketers determine if major modifications to current marketing strategies are necessary to capture more of this market. By surveying Hispanics in this age range and comparing their scores to other populations studied with the Rotter (1954, 1966) LOC instrument, areas of difference or similarity between cultures were compared.

LOCUS OF CONTROL

Rotter's (1954) social learning theory which is a bi-dimensional measure of an individual's attitude about him/herself and his/her environment, leans toward either an internal or external focus. Those with an internal focus recognize that they have control over their environment and their life, and hence are more proactive in their actions. Those with an external focus will tend to view the world as an

environment that acts without them and therefore consider themselves incapable of influencing their environments. Individuals with an external LOC believe they have little, or no, power to affect changes in their lives, or their environments, and will be likely to assume a passive victim lifestyle.

LOC has long been regarded as a personality factor that influences individuals' self-evaluation, attitudes toward work, motivation, learning ability, and working performance (e.g., MacDonald 1973; Spector 1982; Maddux 1991; Gulati et al. 2004; Hattrup et al. 2005; Perry and Morris 2005). In an educational context, students with high external or internal LOC exhibit significantly different perceptions of educational objectives and knowledge acquisition (e.g., Nelson et al. 1980; Grimes et al. 2004). Grimes et al. (2004) found that students with higher internal LOC tend to attribute personal outcomes to self, while students with higher external LOC tend to believe that teachers determine good or bad grades.

There is extensive published literature on the importance of LOC on behaviors (Greene 1988; Hui and Bateson 1991; Hoch and Loewenstein 1991; Gould 1991; Siddarth and Chattopadhyay 1998; Zufryden, Pedrick and Sankaralingam 1993). According to Philips and Gully (1997), people who cannot control their external environment will tend to change their internal perceptions of the stimuli. In this sense people with an internal locus of control, used to controlling their world will manipulate media messages to correlate with their worldview. The inverse of this implies that those with an external focus may be more susceptible to the marketing messages. However, those with a strong internal LOC will be less likely to engage in interactive, online marketing because they tend to withdraw from situations that they perceive are out of their control (Brenders 1987, Zimmerman 1995), or that they perceive to possess inadequate tools with which to communicate (Larson, Piersel, Imao and Allen 1990). This may help explain the findings of studies showing that Hispanic consumers with

high external LOC have a tendency to be more brand loyal (Saegert, Hoover and Hilger 1985), apparently preferring to have fewer choices (Hoch and Lowenstein 1991). This may not be the case for younger educated Hispanic students in higher educational institutions.

HYPOTHESES

LOC and Education

The social cognition theory (Bandura 1986, 1997) suggests that previous educational success will positively influence college students to be more successful. The reason is that previous success has a significant, and positive, influence on the students' self-efficacy, which is an important predictor of future success in education. Self-efficacy measures an individual's self confidence in achieving his or her goals. It has little to do with a student's ability to learn, but his internal orientation towards the goals, such as his/her amount of effort and perseverance help increase academic success (Bandura 1997). Previous research found that the level of education has a significant impact on the understanding of the self and the environment, with increased education and academic success leading to higher internal orientation (Levenson 1974; Lynch, Hurford and Cole 2002). Therefore, we hypothesize that:

H₁: Junior and Senior level students have a higher internal LOC than Freshman and Sophomore level students.

LOC and Social Class/Family Income

The demographic differences, such as age, education, social class, and family income, have a significant impact on human behavior across different disciplines (Rogers 1995). Moreover, past marketing research identified that demographic factors are most likely to be associated with the motivational aspect in the decision making on product usage (e.g., Dickerson and Gentry 1983; Dutton, Rogers and Jun 1987; Krugman 1985; Atkin and LaRose 1994; Lin 1998), as earlier and successful product users tend to be from

upscale social classes. Previous LOC research identified that higher social class and income are positively correlated with internal LOC orientation (Levenson 1974).

Research in developmental science found that an individual's natural tendency to develop the sense of self and the ability to understand his/her external environmental forces, as well as the LOC orientation, are influenced by family (Moneta et al. 2001). This implies that LOC orientation is impacted by the social environment, primarily the parents or direct family. Therefore, internally focused parents or direct family members tend to instill the same LOC orientation to their family members. Since individuals (e.g., parents of the students) with higher social class and income are likely to be more internally focused, we expect in this study that social class and family income level of the students can explain a considerable variance of the LOC of the students.

H₂: College students who are from an upper socio-economic class will have a higher internal LOC than those from a lower socio-economic class.

H₃: College students who are members of high income families will have a higher internal LOC than those who are members of low income families.

Hispanics and Acculturation

From a traditional perspective, a well-known cultural orientation in the Latin American culture is fatalism. Hispanic people generally tend to be highly fatalistic, believing that their fortune and luck are controlled by destiny (e.g., Osland et al. 1999; Suro 2004). A high external LOC appears to be rooted in the traditional culture. Hispanics are traditionally considered a collectivist society versus the individualistic society that mainstream America is considered to be (Hofstede 1994). Triandis (1995) states that group identities are more important in collectivist cultures and less important in individualistic cultures. According to Triandis (1993), the self is construed as independent and different from others under individualism, but interdependent and the same as others under

collectivism. According to Herbig and Yelkur (1998), Hispanics are different from Anglos in needs and factors that influence them such as social, economic, family and other cultural influences. For example, distinctive elements in the Hispanic culture include their tendency to be more risk averse and family-oriented (Herbig and Yelkur 1998). This falls in line with the collectivist concept and also affirms the notion that the interpersonal influence is an important part of the decision process of the Hispanic people. Moneta et al. (2001) found that, compared to Anglos, Hispanics are more external in LOC and lower in expectations of personal achievement. If the traditional cultural approach is plausible, Hispanic students may be generally considered more external in their LOC in comparison with Anglo students.

However, it is interesting to note that, in Gaa and Shores' (1979) study, Hispanic college students had high internal LOC when some success is achieved, but had high external LOC when certain failures are experienced (cf. Moneta et al. 2001). This implies that the impact of personal success or failure, rather than the cultural or interpersonal influence, can be highly significant on Hispanic students. Whether Hispanic and Anglo college students have different levels of LOC because of ethnicity and culture requires further deliberation.

Within the United States, the ethnicity and the culture by which an ethnic group is featured may play a less important role on LOC. The differences in which Hispanic and Anglo students are raised up in a broad-sense social and cultural environment is hard to tell. Both groups are living under one educational, legal, political, economic, and consumption system. The system does not vary by ethnicity; instead, it is a broad-sense American culture in which each individual student is educated in the same way as one another. Acculturation, or more specifically Americanization, of different ethnic groups in the United States has made the cultural environment in the United States completely different from the ancestors—no matter from a Hispanic or Anglo origin.

Another factor that blurs the cultural difference is the spiritual background, which has a fundamental influence of culture (Hofstede 1980). The religious background for Hispanics is heavily Catholic, while the Anglo population leans toward Protestant (Baptist, Lutheran, Methodist, etc.). However, the common for both cultures is Christianity, which is based on Christ and the New Testament. If religious belief can be considered the guideline for daily life, the beliefs and the behaviors which the beliefs direct can be explained in the same or similar way for Hispanics and Anglos.

Further, one issue with Hofstede's (1994) study is that it focused on macro cultural factors, but used a relatively homogeneous demographic population, given that the sampling frame included only subjects from one company (IBM). Culture and subsequent acculturation is not a one-dimensional construct (Fortuny et al. 1998). Therefore, it may be expected that, though Hispanic culture may be collectivistic in nature resulting in requisite traits such as risk averseness and social norming, there may be other traits that vary from this simplified structure. Studies suggest that cultural differences can also be confounded by language (Gasquoine 1999), education level (Heaton et al. 1991) and socio-economic status (Ostrosky-Solis et al. 1985). These confounding factors will therefore impact the collectivist nature of the respondents. Thus, we argue that Hispanics may have lower internal LOC as compared to Anglos when both groups have not had that much higher education, but after certain years of higher education, Hispanic and Anglo students will bear no significant difference in LOC.

H₄: Hispanic freshmen will have a lower internal LOC (or a higher external LOC) than Anglo freshmen.

H₅: At an above-freshman level, there is no significant difference between Anglo and Hispanic college students in terms of LOC.

As shown previously, higher education and higher income accelerate assimilation into the dominant culture by those from different

cultures. It has also been found that middle class Hispanics will consume in a similar manner as middle class Anglos (Eckman et al. 1997; Grow et al. 2004). English speaking Hispanics, as found in colleges, have a higher socio-economic status than Non-English speaking Hispanics (Massey and Denton 1985). Portes and Zhou (1992) used the term "segmented assimilation" to refer to what they see as major differences in their attaining of successful positions and incomes by today's second generation Americans. Second generation, and higher, Americans who are among the first in their family to attend colleges, may be more similar to mainstream Americans, than they are to the first generation Hispanics, when it comes to consumption patterns. This is supported by the findings that among Hispanics there are significant differences based on their English-speaking skills (Adams-Esquivel and Sennot 1988) and their acculturation and identification with their ethnic group (Deshpande et al. 1986). Therefore, combining H₂ and H₅, we can argue that students with internal LOC orientation tend to be attributed to higher social class, but not a specific ethnic group.

H₆: At an above-freshman level, LOC for Hispanic college students is more a function of class than ethnicity.

RESEARCH METHODOLOGY

Sample

Eight of the ten United States colleges and universities included in the sample were selected by using a stratified random sample by region from members of the Hispanic Association of Colleges and Universities (HACU) listed in HACU website (<http://www.hacu.net>) to allow the collection of an adequate sample of Hispanic students.

The universe of 163 HACU institutions, 116 two-year colleges and 47 universities, in the United States, was stratified into three regions (South, West, and East-North), with two colleges selected from the West Region, two from the South Region, and four from the East-

North Region. In addition, two institutions from Texas were conveniently selected for the study, due to their proximity to the Mexican border, to complete the sample of ten institutions.

Either the Dean or the Department Chair of Business Administration was contacted at each participating institution, and requested to randomly select six classes from their business courses taught during the Spring Semester or Quarter of 2003. In most cases, the Dean or Department Chair assigned a faculty member to act as the contact person and to collect the data. A random procedure to select the six classes was recommended to contact persons. This random procedure required the contacts to list all business courses currently being taught in their college or department and to use a table of random numbers, or the computer, to randomly select six courses. Business courses included all courses taught in their College or Department of Business Administration. A total of 953 completed surveys were collected. Non response bias was not analyzed as the method resulted in a captive sample. Of these 523 indicated Hispanic ethnicity. Analysis for MCAR (Missing Completely at Random) through T-tests was not significant, so missing data is not an issue. The sample has a Bartlett's test of Sphericity significant to the .000 level which demonstrates an adequate sample (Hair et al. 1998).

Instrument

Among different measurement scales of LOC (e.g., Levenson 1974; Coombs and Schroeder 1988; Spector 1988), the measure of Internal-External LOC developed by Rotter (1966) has been one of the most intensively used across different disciplines, such as education, psychology, and marketing (Fournier and Jeanrie 2003). The original Internal-External LOC measure consists of 23 items, with two statements under each item representing internal and external LOC. Respondents choose between the internal LOC and external LOC statements in each item by a single score that presents either internal or external orientation,

so as to reflect their general tendency of internal or external LOC. When such a LOC measure is applied to the respondents, a higher LOC score reported indicates that an individual is more external LOC-oriented whereas a lower LOC score corresponds to a higher internal LOC orientation.

In order to understand the LOC of the students, this study utilized Rotter's (1966) measurement scale of Internal-External LOC because of its accepted usefulness as a valuable instrument in investigating the LOC. By using the Internal-External LOC items and linking them to the differences existed in education level, social class, income level, and ethnicity, we can demonstrate the motivational factors that can explain college students' performance and achievements. The use of LOC will be particularly explanatory for the performance of Hispanic students in the current study, given the characteristics of the culture. We expect that the Internal-External LOC measure can help explain the differences set up in the hypotheses, such as those between seniors and freshmen, Hispanic and Anglo students, and students from different social classes.

In this study, we modified the Internal-External LOC questionnaire according to our need in obtaining direct, effective, and meaningful responses from college students. We used 10 items in our questionnaire, each item containing two statements respectively representing internal and external aspects of perceived LOC for a subject. The items include aspects of grades, promotions, overweight, marriage, politics, sports, etc. Some of the items from the original Internal-External LOC measure were removed due to their inappropriateness in the use by college students.

RESULTS

As indicated in Table 1, 72 percent of the Hispanic students surveyed were between the ages of 18-24 with the remainder being over 24. Only 23.5 percent of the Hispanic respondents' fathers had earned a college bachelor's degree or higher and 27.9 percent of the fathers had

completed an eighth grade education or less. A slight majority, 53 percent, considered themselves middle class, 4.7 percent lower class, and only 1.2 percent considered themselves upper class and the remainder considered themselves either lower middle or upper middle class (see Table 1). Moreover 75.4 percent were born in the U.S. and 20.1 percent were born in Mexico. Their parents were evenly split between being born in the US and Mexico. Of the 523 students surveyed, an impressive nine percent, indicated interest in attending graduate school.

H₁ postulated that junior and senior students will have a higher internal LOC than freshmen and sophomore students. In other words, the LOC score reported by freshman and sophomore will be higher than junior and senior students. To test this hypothesis, the data was recoded where freshman (n=175) and sophomore (n=450) were combined in one group (n=625), while juniors (n=166) and seniors (n=137) were put together in another group (n=303). Freshmen and sophomores scored higher (mean=1.37) than juniors and seniors (mean=1.31), and one-way ANOVA revealed that there was significant difference between the two groups ($F=4.89, p<0.05$). The result clearly showed that junior and senior students possess a higher internal LOC than freshman and sophomore students, indicating that the two additional years of education indeed make a significant difference on LOC, whether by means educational attainment or attrition. Therefore, H₁ was supported.

H₂ stated that upper socio-economic class students in higher education will have higher internal LOC than lower socio-economic class students. In other words, students from lower socio-economic class will score higher in terms of LOC. To test this hypothesis, respondents falling within certain socio-economic classes were selected. Students who are self-reported as lower class are considered a lower socio-economic class group (n=45), while students who classified themselves from upper middle class and upper class are included in the upper socio-economic group (n=171). The low class

TABLE 1
Descriptive Statistics

Total Sample	953
Hispanics	523
Sample ages of Hispanics sample	
18-24	72%
25-29	12.7%
29- or more	15.3%
Parents' educational level of Hispanics	
Completed 8 th grade	27.9%
Completed high school	46.4%
Earned college degree	13.8%
Earned a graduate degree	9.7%
Psychographic grouping of Hispanic sample	
Sustainer	50%
Survivor	30%
Belonger	19%
Achiever	1%
Emulator	.5%
Self perceived class of Hispanic sample	
Upper class	1.2%
Upper middle class	12.9%
Middle class	53%
Lower middle class	27.7%
Lower class	4.7%
Place of birth for Hispanic sample	
In the USA	75.4%
In Mexico	21.4%
Intention to go to graduate school for Hispanic sample	
Yes	9%
No	91%

group (mean=1.45) had a higher score on LOC than the high class group (mean=1.30), and one-way ANOVA revealed that there was a significant difference between the two groups ($F=4.43$, $p<0.05$). The result indicates that upper socio-economic class students have a higher internal LOC than lower socio-economic class students. Therefore, H_2 was supported.

H_3 posited that students who are members of high income families have a higher internal LOC than students who are members of low

income families. In other words, students from low income families should score higher in terms of LOC than students from high income families. To test this hypothesis, respondents who reported both low and high family incomes were selected. The low income group consists of students from families with annual incomes less than \$24,999 ($n=254$), while the high income group includes students who reported annual incomes above \$100,000 ($n=144$). The low income group (mean=1.37) had a higher score on LOC than the high income group

(mean=1.28), and one-way ANOVA revealed that there was a significant difference between the two groups ($F=4.00, p<0.05$). The result indicates that students who are members of high income families have a higher internal LOC than those from low income families. Therefore, H_3 was supported.

H_4 and H_5 argued that Hispanic students will have a lower internal LOC than their Anglo cohorts at the freshman level, but at the sophomore level and up, Hispanic college students do not have lower internal LOC than Anglo students. That is to say, a sophomore level and/or up, Hispanic students will not score significantly higher than their Anglo cohorts in LOC scores. At the freshman level, 147 Hispanic students (mean=1.39) and 20 Anglo students (mean=1.17) in the sample were compared. One-way ANOVA revealed that there was a significant difference between the two groups ($F=6.38, p<0.05$). Therefore, H_4 was supported. To test H_5 , Hispanic students ($n=242$, mean=1.39) and Anglo students ($n=143$, mean=1.36) at the sophomore level were compared by using one-way ANOVA, and the result showed no significant difference between these two groups ($F=.56, p>0.10$). Hispanic students ($n=71$, mean=1.38) and Anglo students ($n=64$, mean=1.29) at the junior level were also compared. One-way ANOVA showed an insignificant difference ($F=1.86, p>0.10$). Further, Hispanic students ($n=52$, mean=1.36) and Anglo students ($n=61$, mean=1.33) at the senior level were compared. Consistently, the difference between the two groups was insignificant ($F=.09, p>0.10$). The results jointly indicate that Hispanic and Anglo students do not have significant difference in terms of LOC at an above-freshman level. Therefore, H_5 was supported.

In H_6 we speculated that the LOC for Hispanic students is more a function of class than ethnicity at an above-freshman level. To test this hypothesis, we compared the LOC scores of the students based on their socio-economic class (high vs. low) and ethnicity (Hispanic vs. Anglo). A 2x2 factorial design was applied. Students at the sophomore level and above

were selected (sophomores, juniors, and seniors). MANOVA test revealed that socio-economic class influences LOC at a significant degree ($F=3.64, p<0.10$), while ethnicity has no significant impact on LOC ($F=.81, p>0.10$). Meantime, there was no significant difference by the class-ethnicity interaction ($F=1.80, p>0.10$). The results not only reinforced the findings on H_2 and H_5 , but also clearly demonstrated that LOC is stemmed from socio-economic differences rather than ethnic sources. Therefore, H_6 was supported. The MANOVA results were reported in Table 2.

CONCLUSION AND MARKETING IMPLICATIONS

The purpose of this study was to assess the LOC among college students, to determine the differences between Hispanic and Anglo students regarding their LOC, and to investigate how this might improve marketing strategies for reaching Hispanics. Empirically, we investigated the differences of LOC orientation among college students on the basis of a number of antecedent factors, such as ethnicity, education level, social class, and household income. The analysis laid out step by step an approach to determine where and by what mechanisms Anglo and Hispanic students demonstrate LOC similarities and differences. The net result is that we find that the educational process has a powerful acculturative effect. As Hispanic students go through the higher educational process there appears to be a tendency towards an increase in orientation toward internal LOC, in line with cited theory. Interestingly, this impact is felt among the all student respondents despite the fact that previous research groups Hispanic culture as one that has an external LOC. Another indicator is the social class and income components. This should not be surprising, since income and education are considered determinants of social class. The results of this study appear to confirm that post-secondary educational attainment impacts the students' evaluation of their social class status. An increase in internal LOC may be viewed as a process in which students may be impacted by

TABLE 2
MANOVA Results

Dependent Variable: LOC (R Square = .91, Adjusted R Square = .91)

Source	Sum of Squares	df	Mean Square	F	Significance
Model	270.43	4	67.61	370.58	.00
Ethnicity	.15	1	.15	.81	.37
Socio-Economic Class	.66	1	.66	3.64	.06
Ethnicity x Class	.33	1	.33	1.80	.18
Error	27.00	148	.18		
Total	297.43	152			

increased higher education, even during their undergraduate level of education—and may be one of the undetected by-products of higher education. This is evidenced by Hispanic students moving away from a traditional Latin American rooted fatalistic culture, towards a self-challenging and self-deterministic culture more common in the United States. This is in support of cited acculturation theory.

These findings are important for marketers primarily because they suggest that it may not be necessary to tailor all marketing campaigns to the young educated Hispanic group when the target market is educated young adults between the ages of 18 to 34. It can be assumed that educated, Hispanics in general are more acculturated and exhibit similar general attitudes as other young educated consumers; hence, they should respond to similar marketing appeals. For example, the Army's recent advertising campaign, "Be all that you can be", or the Marine's current advertising campaign, "We are looking for a few good men," should appeal to young educated people, as well as to Hispanics. One could also argue that targeting the young Hispanic group separately with culturally focused campaigns identified in past research could backfire because these appeals may be a reminder of cultural values that young Hispanics are trying to discard.

REFERENCES

- Adams-Esquivel, Henry E. and Roger Sennot (1988), *Hispanic Brand Loyalty: Myths and Reality*. San Diego, CA.: Market Development Inc.
- Adams, Russell, Morris Kalliny, Gilberto de Los Santos, and Anshu Saran (2004), "Determining The Demographic And Psychographic Variables Associated With Hispanics Who Intend To Pursue Graduate Studies," Under review at Journal of Marketing for Higher Education.
- Arnold, Matthew (2006), "Why Are Marketers Ignoring Hispanics?" *Medical Marketing & Media*, Vol. 41 Issue 3, 40-45.
- Artiola i Fortuny, Lidia, Roy Heaton, and Romo Hermosillo (1998), "Neuropsychological Comparisons of Spanish-Speaking Participants from the U.S.-Mexicoborder Region versus Spain," *Journal of the International Neuropsychological Society*, 4, 363-79.
- Atkin, David J. and LaRose, Robert (1994), "An Analysis of the Information Services Adoption Literature," in J. Hanson (Ed.), *Advances in Telematics*, Ablex, New York
- Bandura, A. (1986). *Social Foundations of Thought and Action: A Social-Cognitive Theory*. Upper Saddle River, NJ: Prentice-Hall.
- Bandura, A. (1997). *Self-Efficacy: The Exercise of Control*. New York: W. H. Freeman.

- Brenders, D. A. (1987), "Perceived Control: Foundations and Directions for Communication Research," *Communication Yearbook*, 10, 86-116.
- Census Bureau, U.S. (2001), "Profiles of General Demographic Characteristics: 2000 Census of Population and Housing, United States" Washington, DC: U.S. Department of Commerce, Economics and Statistics Administration.
- Chung, Ed and Eileen Fischer (1999), "It's Who You Know: Intercultural Differences In Ethnic Product Consumption," *Journal of Consumer Marketing*, 16 (4/5), 482.
- Coombs, W. N. and Schroeder, H. E. (1988), "Generalized Locus of Control: An Analysis of Factor Analytic Data," *Personality and Individual Differences*, Vol. 9 (1), 79-85.
- Deshpande, Rohit, Wayne D. Hoyer, and Naveen Donthu (1986), "The Intensity of Ethic Affiliation: A Study of the Sociology of Hispanic Consumption," *Journal of Consumer Research*, 13 (2), 214.
- Dickerson, Mary D. and James Gentry (1983), "Characteristics of Adopters and Non-Adopters of Home Computers", *Journal of Consumer Research*, Vol. 10 (September), 225-35
- Dutton, William H., Rogers, M. Everett and Suk-Ho Jun (1987), "The Diffusion and Impacts of Information Technology in Households," in *Oxford Surveys in Information Technology*, Oxford University Press, New York
- Eckman, Molly, Antigone Kotsiopoulos and Marianne C. Bickle (1997), "Store Patronage Behavior of Hispanic Versus Non-Hispanic Consumers: Comparative Analyses of Demographics, Psychographics, Store Attributes, and Information Sources," *Hispanic Journal of Behavioral Sciences*, 19 (1), 69(15).
- Fennell, Geraldine and Joel Saegert (1992), "Do Hispanics Constitute a Market Segment?" *Advances in Consumer Research*, 19 (1), 28.
- Fournier, Genevieve and Chantale Jeanrie (2003), "Locus of Control: Back to Basics," in S.J. Lopez and C.R. Snyder (Eds.), *Positive Psychological Assessment: A Handbook of Models and Measures*, American Psychological Association, Washington, DC.
- Gaa, J. P., and Shores, J. H. (1979), "Domain Specific Locus of Control among Black, Anglo, and Chicano Undergraduates," *Journal of Social Psychology*, 107, 3-8
- Gasquoine, Philip G. (1999), "Variables Moderating Cultural and Ethnic Differences in Neuropsychological Assessment: The Case of Hispanic Americans," *The Clinical Neuropsychologist*, 13 (3), 376-83.
- Greene, William (1988), "Maybe The Valley of The Shadow Isn't So Dark After All," *Journal of Advertising Research*, 28 (5).
- Grimes, Paul W., Millea, Meghan J. and Woodruff, Thomas W. (2004), "Grades--Who's to Blame? Student Evaluation of Teaching and Locus of Control," *Journal of Economic Education*, Vol. 35 Issue 2, 129-147
- Grow, Brian, Ronald Grover, Arlene Weintraub, Christopher Palmeri, Mara Der Hovanesian and Michael Eidam (2004), "Hispanic Nation," in *Business Week*.
- Gulati, Rajesh, Dennis N. Bristow and Wenyu Dou (2004), "The Impact of Personality Variables, Prior Experience, and Training on Sales Agents' Internet Utilization and Performance," *Journal of Business-to-Business Marketing*, Vol. 11 Issue 1/2, 153-179.
- Hattrup, Keith, Matthew O'Connell and Jeffrey Labrador (2005), "Incremental Validity of Locus of Control After Controlling for Cognitive Ability and Conscientiousness," *Journal of Business & Psychology*, Vol. 19 Issue 4, 461-481
- Heaton, Robert, Igor Grant and Charles Matthews (1991), "Comprehensive Norms for an Expanded Halstead-Reitan Battery: Demographic Corrections, Research Findings, and Clinical Applications." Odessa, FL.: *Psychological Assessment Resources*.

- Herbig, Paul and Rajani Yelkur (1998), "Hispanic and Anglo Differences in Consumer Behavior," *Journal of International Marketing & Marketing Research*, 23 (1), 47.
- Hispanic Business (2002), "Hispanics Developing Their Spending Power," in *Hispanic Business*.
- Hoch, Stephen J. and George F. Loewenstein (1991), "Time-Inconsistent Preferences and Consumer Self-Control," *Journal of Consumer Research*, 17 (March), 492-508.
- Hofstede, Geert (1994), "Business Cultures," in *UNESCO Courier* Vol. 47.
- Hui, Michael K. and John E. G. Bateson (1991), "Perceived Control and the Effects of Crowding and Consumer Control," *Journal of Consumer Research*, 18 (September), 174-85.
- Larson, Lisa M., Wayne C. Piersel, Rosalie A. Imao and Sarah J. Allen (1990), "Significant Predictors of Problem-solving Appraisal," *Journal of Counseling Psychology*, 37 (October), 482-90.
- Levenson, H. (1973), "Multidimensional Locus of Control in Psychiatric Patients," *Journal of Consulting and Clinical Psychology*, 41, 397-404.
- Levenson, H. (1974), "Activism and Powerful Others: Distinctions within the Concept of Internal-External Control," *Journal of Personality Assessment*, 38, 377-383.
- Lin, Carolyn A. (1998), "Exploring the Personal Computer Adoption Dynamics," *Journal of Broadcasting and Electronic Media*, Vol. 41 (1), 95-112
- Lynch, Shirley, David P. Hurford and Amy Kay Cole (2002), "Parental Enabling Attitudes and Locus of Control of At-Risk and Honors Students," *Adolescence*, 37(147) 527- 549.
- MacDonald, A. P. (1973). Internal-External Locus of Control, In *Measures of Social Psychological Attitudes*, J. P. Robinson and P. R. Shaver, Institute for Social Research, The University of Michigan, Ann Arbor.
- Maddux, J.E. (1991), "Self-Efficacy," In Snyder, C.R. and Forsyth, D.R. (eds), *Handbook of Social and Clinical Psychology: The Health Perspective*, New York: Pergamon Press.
- Massey, Douglas and Nancy A. Denton (1985), "Spatial Assimilation as a Socioeconomic Outcome," *American Sociological Review*, 50 (1), 94-106.
- Moneta, Giovanni B., Barbara Schneider and Mihaly Csikszentmihalyi (2001), "A Longitudinal Study of the Self-Concept and Experiential Components of Self-Worth and Affect Across Adolescence," *Applied Developmental Science*, Vol. 5 (3), 125-142
- Nelson, W., G. Knight, S. Kagen and J. Gumbiner (1980), "Locus of Control, Self-Esteem, and Field Independence as Predictors of School Achievement among Anglo American and Mexican American Children," *Hispanic Journal of Behavioral Sciences*, 2, 323-335
- Osland, Joyce S., Silvio de Franco and Asbjorn Osland (1999), "Organizational Implications of Latin American Culture: Lessons for the Expatriate Manager," *Journal of Management Inquiry*, Vol. 8 Issue 2, 219-234.
- Ostrosky-Solis, Feggy, Enriqueta Canseco, L Quintanar, E. Navarro and S. Meneses (1985), "Sociocultural Effects In Neuropsychological Assessment," *International Journal of Neuroscience*, 27, 53-66.
- Perry, Vanessa G. and Marlene D. Morris (2005), "Who Is in Control? The Role of Self-Perception, Knowledge, and Income in Explaining Consumer Financial Behavior," *Journal of Consumer Affairs*, Vol. 39 Issue 2, 299-313
- Phillips, Jean M. and Stanley M. Gully (1997), "Role of Goal Orientation, Ability, Need for Achievement, and Locus of Control in the Self-Efficacy and Goal-Setting Process," *Journal of Applied Psychology*, 82 (October), 792-802.
- Portes, Alejandro and Min Zhou (1992), "Gaining the Upper Hand: Economic Mobility among Immigrant and Domestic Minorities," *Ethnic and Racial Studies*, 15, 491-522.
- Rogers, Everett M. (1995), *Diffusion of Innovations* (4th ed.), The Free Press, New York.

- Roth, Martin S. and Christine Moorman (1988), "The Cultural Content of Cognition and the Cognitive Content of Culture: Implications for Consumer Research," *Advances in Consumer Research*, 15 (1), 403.
- Rotter, Julian B. (1954), *Social Learning and Clinical Psychology*. New York: Prentice-Hall, 1954.
- Rotter, Julian B. (1966), "Generalized Expectancies for Internal Versus External Control of Reinforcement," *Psychological Monographs*, 80, 1.
- Saegert, Joel, Robert J. Hoover and Mary Tharp Hilger (1985), "Characteristics of Mexican American Consumers," *Journal of Consumer Research*, 12 (1), 104.
- Siddarth, S. and Amitava Chattopadhyay (1998), "To Zap or not to Zap: A Study of the Determinants of Channel Switching During Commercials," *Marketing Science*, 17, 124-38.
- Spector, P. E. (1982), "Behavior in Organizations as a Function of Employees' Locus of Control," *Psychological Bulletin*, 91, 482-497.
- Spector, P. E. (1988), "Development of the Work Locus of Control Scale," *Journal of Occupational Psychology*, 61, 335-340.
- Suro, Roberto (2004), "Huntington and Hispanics," *Foreign Policy*, May/Jun2004 Issue 142, p4-6
- Triandis, Harry C. (1993), "Collectivism and Individualism as Cultural Syndromes," *Cross-Cultural Research*, 27, 155-80.
- Triandis, Harry C. (1995), *Individualism and Collectivism*, Boulder, CO: Westview.
- Trompenaars, Fons (1994), *Riding the Waves of Culture*. Irwin, New York.
- Zimmerman, Marc A. (1995), "Psychological Empowerment: Issues and Illustrations," *American Journal of Community Psychology*, 23 (October), 581-602.

PERCEIVED IMAGE OF INDIA BY U.S. BUSINESS TRAVELERS

TSU-HONG YEN, San Jose State University
GONZAGA DA GAMA, San Jose State University
SUBHA RAJAMOHAN, San Jose State University

Destination image refers to the mental ideas or conceptions held individually or collectively regarding a destination. Past research has focused primarily on leisure travelers' perceived images of a destination and how this affected destination choice and behavior. The purpose of this study was to explore the effectiveness of segmenting business travelers by using destination image variables as the segmenting criteria. A survey was conducted to carry out this study. The sample consisted of 322 business travelers to India. Data were collected at the international terminal of the San Francisco International Airport. Results of factor analysis indicated the images of India comprised of culture and heritage, natural resources, general infrastructure, night life, social environment, and lodging services. Cluster analysis procedures were performed to segment the sample by using these six factors along with measures of affective and overall images. The results revealed a three-cluster solution, named as veterans, enthusiasts, and novices. The effectiveness of using destination image as the segmenting criteria was supported by comparing perceived destination images, demographics, and travel patterns of these three clusters. Findings of this study provide insight into the ways business travelers perceive a destination, contributing new knowledge in destination marketing.

INTRODUCTION

Tourism is one of the fastest growing economic activities in the world. The World Tourism Organization (WTO) estimates that over 800 million people traveled and spent over \$700 billion (WTO Tourism Highlights 2006). As a result, many countries are promoting international tourism, as a means of bolstering job creation and foreign exchange earnings, while at the same time enhancing their national image in the global marketplace. Tourism literature suggests that perceived image of a destination has a strong influence on traveler's destination selection process in a manner similar to how a product's perception influences the consumer's purchase behavior (Beerli and Martin 2004; Bigné, Sánchez and Sánchez 2001; Gallarza, Saura and Garcia 2002). Furthermore, literature has shown that traveler's destination choice decision is partially determined by the favorableness of the perceived image of a destination (Baloglu and

McCleary 1999b; Chon 1991; Woodside and Lysonski 1989). Thus, one of the major objectives of any destination promotion strategy is to reinforce positive images held by target audience, correct negative images, and/or create new ones (Pike and Ryan 2004).

Kotler, Haider and Rein (1993) defined destination image as the sum of belief, ideas, and impressions of a place. Most of the research on destination image has focused on the leisure travel segment, with other segments including business travel being excluded (Alhemoud and Armstrong 1996; Baloglu and McCleary 1999a; Beerli and Martin 2004; Gallarza, Saura and Garcia 2002). Since business travel accounted for a significant percentage of world wide travel (WTO Tourism Highlights 2006), a study on how business travelers perceive a destination and how this perception affects travel behavior will address this knowledge gap.

Though travel decisions for business travelers may be based on business obligations, many business travelers can and do extend their

business trips for pleasure whenever possible. This is particularly true when it comes to international long haul travel. Moreover, the positive image of a destination may draw business travelers to re-visit that destination. They may bring family with them while revisiting or may also recommend the destination to friends, which has the potential to generate additional revenues to the local economy. Therefore, the willingness to spend extra time and money visiting attractions, extending the trip for leisure purpose, and revisiting the destination, may be determined by other non-business related factors including destination image (Woodside and Lysonski 1989).

While international travel has been growing in recent years, the escalating competition among tourism businesses has compelled tourism marketers not to treat travelers as one homogeneous group but to tailor their services to the needs of specific market segment (Bowen 1998; Janga, Morrisona and O'Leary 2002). A commonly used practice to achieve this goal is market segmentation. Market segmentation refers to the process of identifying and partitioning the target market into several homogeneous groups with similar characteristics, allowing marketers to design products or services to satisfy the special needs of those groups (Wedel and Kamakura 2000). It is imperative that marketers put together resources and develop strategies and promotional campaigns which focus on a particular group of customers (Kotler, Bowen and Makens 2006). Past research has identified the utility of using demographic and psychographic variables in segmenting travel markets (Bowen 1998; Hofstede, Steenkamp and Wedel 1999; Janga, Morrisona and O'Leary 2002). However, scant research has focused on utilizing destination image variables as criteria in international business travel market segmentation studies. Consequently, the purpose of the current study was to determine effectiveness of using destination image variables as segmenting criteria for business travelers. It was hypothesized that business travelers could be categorized into several

segments and their perceptions of a destination and travel patterns were different.

India as a destination was selected because previous research has found that the image of India as a travel destination was unappealing to international tourists (Chaudhary 1996, 2000). However, due to recent economic growth, especially in the technology sector, business travel to India has grown at a rapid pace (Hamm 2007). The World Travel and Tourism Council (2007) predicted that India will be the fifth fastest growing country for business travelers between 2007 and 2016. The Office of Travel and Tourism Industries (2006) also indicated that India ranked 15th in tourists from the U.S. Moreover, data from the California Travel and Tourism Commission (2004) pointed out that India ranked eighth in California's overseas market, and most business travelers were from the San Francisco Bay Area where the major technology companies are located. Due to recent growth of business travelers from the United States, India needs to position itself not only as a country for technology out sourcing, but also as a tourism destination with rich cultural and heritage attractions and quality tourism services and facilities. Accordingly, this study intended to answer three research questions: how do travelers from the U.S. perceive India as a tourism destination? Are there groups of travelers who perceive India differently? Do those groups of travelers demonstrate different travel patterns?

BACKGROUND

Destination image refers to the mental ideas or conceptions that are held individually or collectively regarding a destination (Gallarza, Saura and Garcia 2002; Stabler 1988). Images of a place represent a simplification of fragmented perceptions, comprised of several aspects of a place. They are the products of a process that is undertaken by the mind in attempts to process and break down vast amounts of data (Kotler, Haider and Rein 1993). Destination image, according to Lawson and Baud-Bovy (1977) is the expression of all

knowledge, impressions, prejudices, and emotional thoughts that an individual or a group has of a particular object or place. In sum, destination image is a personal perception of a place which can vary from one person to another. Individuals may have images of a destination whether or not they have traveled there based on a few impressions taken shape from the enormous amount of available information (Kotler, Haider and Rein 1993).

Baloglu and McCleary (1999b) proposed that the image of a destination consists of three major determinants that influence the destination image: cognitive or perceptual evaluations (beliefs or knowledge of destination attributes), affective evaluations (feelings or attachments towards the destination attributes), and overall or global image (formed as a result of both cognitive and affective evaluations of the destination). Furthermore, a traveler's images of a destination are influenced by both personal factors and stimulus factors (Beerli and Martin 2004; Gallarza, Saura and Garcia 2002; Grosspietsch 2006). Personal factors refer to the characteristics of the traveler and include both psychological and social elements. The stimulus factors denote the external factors, for example, previous travel experience, and information sources put forth by marketers to develop, promote, and advertise a particular destination (Walmsley and Young 1998).

Beerli and Martin (2004) extended Baloglu and McCleary's (1999b) model and empirically tested the model by studying the destination image of Lanzarote, Spain. Their findings confirmed that perceived image was formed from the image projected by the destination in consort with the individual's own needs, motivations, prior knowledge, preferences, and other personal characteristics. The authors contended that the images of a destination encompass natural resources, general infrastructure, tourist infrastructure, tourist leisure and recreation services, culture, history and art, political and economic factors, natural environment, social environment, and atmosphere of the place.

Destination image has emerged as a crucial destination-marketing concept in the tourism industry, since it impacts consumers' decision making (Kim and Richardson 2003). Bigne, Sanchez and Sanchez (2001) stated that the destination image was a key factor for destination managers, as it provided travel information on the perceived quality and satisfaction (evaluation of stay), the intention to return, and overall recommendation of the destination (future behavior). Hence, the process of image creation is important to determine the target market, branding, and positioning of a destination. Pike and Ryan (2004) further proclaimed that one of the major objectives of any destination promotion strategy is to reinforce positive images held by the target audience, and to correct negative images or create a new one. In order to ensure the long term success of a destination, it is vital to create a competitive position which will be helpful to marketers, developers, and planners in developing strategies (Chen and Uysal 2002). Given the very personal nature of travel decision-making, it is imperative to understand the influence of destination image in this process, i.e., the need for the current study.

METHODS

A survey was conducted to carry out this study. Target population of this study was defined as travelers visiting India, who were residing in the U.S. A convenience sampling method was employed due to difficulty in identifying and locating potential travelers. Participants were randomly selected from the travelers going to India on the survey days. A total of 322 travelers voluntarily participated in this study. The sample consisted of 237 males (74 percent) and 85 females (26 percent); 81 percent of the sample were between 30 to 55 years old; 69 percent were U.S. citizens and 31 percent were non-U.S. citizens but residing in the U.S. In terms of travel patterns; 57 percent indicated that India was their final destination and 43 percent had also traveled to other countries; 70 percent of them had visited India one or more times before; and, 30 percent had never visited

India before. The purpose of travel to India for 60 percent of the participants was business, while 43 percent of the participants engaged in vacation travel; and the main cities planned to visit were Delhi (52 percent), Bangalore (42 percent), and Mumbai (29 percent).

A questionnaire with 27 destination image items was developed for collecting the data. These items were revised from Baloglu and McCleary's (1999b) study of destination image formation to accommodate India as a travel destination. This questionnaire measured the three constructs of destination image, i.e., cognitive image (24 items), affective image (2 items), and overall image (1 item). Cognitive image was defined as beliefs or knowledge of destination attributes. Operationally, it measured the perceived image of natural resources, attractions, culture and art, general infrastructure, tourist infrastructure, atmosphere, social and economic setting, and environment. The affective image was defined as feelings or attachments towards the destination attributes appraised by two variables: relaxing place and boring and unattractive place. One item was used to measure the overall image of India. Each item was assessed by a five-point Likert type scale (strongly disagree = 1 point to strongly agree = 5 points) to determine level of agreement. Scores of each dimension and construct were calculated by summing up the corresponding items and dividing them by the number of items in that dimension. A higher score represented a favorable image, and a lower score represented an unfavorable image. In addition, participants' demographic and travel information, for example, gender, age, nationality, city to visit, purpose of travel, length of stay, and number of prior visit to India were also collected.

Ten travelers were recruited to pilot test the research instrument at the San Francisco International Airport. The purpose was to ensure ease of understanding of the items in the questionnaire and the validity of the instrument. Based on the feedback and suggestions from the pilot test participants, the questionnaire was finalized.

Data collections were conducted at the international terminal of the San Francisco International Airport because of its strategic proximity to the Silicon Valley technology sector as well as majority of flights from the U.S. to India depart from here. Data were collected by personal interview around the check-in counters of five major airlines with travel routes to India. The completed questionnaires were coded and entered into the computer for analyses.

RESULTS AND DISCUSSION

The 24 cognitive image variables were factor analyzed by using principal component analysis with varimax rotation to examine the dimensionality of the cognitive image construct. Image variables with factor loadings of 0.5 and above were retained. The results showed a six-factor solution which explained 66.69 percent of the variance (Table 1). The first factor has the highest Eigen value (EV = 2.37) and explains 14.84 percent of the total variance (reliability alpha (α) = 0.77). It was named culture and heritage because it consists of variables measuring art and handicrafts, cultural heritage, museums, historical sites, and hospitable nature of Indians. The second factor was labeled as nature resources. It explains 12.30 percent of the total variance (EV = 1.97, α = 0.64), and was assessed by India's scenic beauty, beaches, exotic destination, and adventure activities. The third factor consists of variables evaluating transportation system, health services, and telecommunication services. Since these services are offered to the general public as well as business travelers, it was named as general infrastructure (EV = 1.71, α = 0.62). The fourth factor, night life (EV = 1.68, α = 0.64), comprises of two variables, night life and bar, clubs, and discotheques. These services are important for business travelers who need places to relax or meet and network with their clients. The fifth factor was labeled as social environment (EV = 1.57, α = 0.69). Respondents perceived poverty, overcrowding, and pollution as important variables to represent the social environment of India. Variables, such as safe destination,

language barrier, and places for shopping, were not perceived as significant image variables of India. The last factor was named as lodging service (EV = 1.37). Although only one variable was loaded into this factor, it represents a very important service to the business travelers, i.e., hotels and restaurants, and explained 8.55 percent of the total variance.

Examining those variables retained from factor analysis, it was concluded that business travelers perceived that India has very rich cultural heritage (mean (m) = 4.54), arts and handicrafts (m = 4.34), and is an exotic destination (m = 4.12). However, they indicated that India needed to improve services to travelers, e.g., transportation (m = 2.60), health services (m = 2.85), and nightlife (m = 2.94). The travelers moderately regarded India as associated with poverty (m = 3.75) and being overcrowded (m = 3.81).

To examine the effectiveness of segmenting travelers by using destination image variables, this study used a post-hoc descriptive segmentation approach to segment the research participants (Wedel and Kamakura 2000). In this phase of data analysis, cluster analysis procedures recommended by Hair, Anderson, Tatham and Black (1998) were performed by using the six factors comprising cognitive image, the affective image, and the overall image as clustering variables. Because of the large sample size, a hierarchical clustering procedure was first performed. It was found that a three-cluster solution was the most appropriate for this study. Next, the K-means nonhierarchical clustering procedure was conducted to divide the total sample into three clusters. The results showed that the first cluster had 62 members representing 19 percent of the total sample; the second cluster had 161 members, 50 percent; and, the third cluster had 99 members, 31 percent.

To further examine if these three clusters perceived India differently, mean scores of every destination image dimension for the three clusters were calculated and one-way ANOVA and Scheffe's pair comparisons were

performed. Means and standard deviations of each dimension for the three clusters and the whole sample are presented in Table 2. As indicated by the results of ANOVA, these three clusters perceived India in a significantly different manner. Contingency table was constructed to compare demographic profiles and travel patterns among the three clusters (Table 3).

The first cluster was named *veteran* because 77 percent of the members in this cluster had visited India at least once and 32 percent had visited more than three times which is the highest among the three clusters (Table 3). Members in this cluster consisted of 71 percent male and 29 percent female, and 84 percent of them were between 30 to 55 years old.

Sixty percent of the veteran group indicated that India was their final destination, and 50 percent of them would stay longer than ten days. The majority of them traveled for business purpose (81 percent), with vacation coming in as second (29 percent). The cities they would visit included Bangalore (58 percent), Delhi (45 percent), Chennai (31 percent), and Mumbai (34 percent). These findings reveal two important points. First, it is common for international long-haul travelers to visit several places in a destination to fulfill their business purposes. Second, comparing to the other two clusters, there are higher percentage of members in this group to visit Bangalore and Chennai, which serve as technology hubs in India. A possible interpretation might be that members in this cluster tend to work in the technology sector.

In general, the veterans expressed favorable images of India. The ratings for overall image (3.48) and affective image (3.74) were the most favorable among the three clusters (Table 2). They concurred that India has a rich culture and heritage resources (4.26) and good lodging services (4.06). The low score of social environment (2.79) indicates that they didn't perceive India as being poor and overcrowded. This may be attributed to the fact that they visited major cities which are rapidly growing

TABLE 1
Results of Factor Analysis of Cognitive Image Items.

	Mean	S.D.	CH	NR	GI	NL	SE
India has art and handicrafts	4.34	0.69	0.82				
India has rich cultural heritage	4.54	0.67	0.80				
India offers museums, historical sites	4.27	0.70	0.77				
Indians are friendly and hospitable	4.09	0.78	0.58				
India has got lots of scenic beauty	4.02	0.82		0.79			
India has good beaches	3.39	0.84		0.67			
India is an exotic destination	4.12	0.80		0.59			
India has adventure activities	3.18	0.75		0.57			
India has good transportation system	2.60	1.05			0.82		
India has quality health services	2.85	0.78			0.73		
India has good telecommunications	3.40	0.86			0.54		
India has good nightlife	2.94	0.66				0.83	
India has bars, clubs and discotheques.	3.14	0.61				0.78	
India is associated with poverty	3.75	0.78					0.86
India is overcrowded and polluted	3.81	0.82					0.85
India has good deluxe hotels and restaurants	3.78	0.78					0.84
Eigen value	2.37	1.97	1.71	1.68	1.57	1.37	
Percent of Variance Explained	14.84	12.30	10.69	10.47	9.84	8.55	
Alpha	0.77	0.64	0.62	0.64	0.69	n.a.	

Note: S.D.—Standard deviation, CH—Culture and heritage, NR—Natural resources, GI—General infrastructure, NL—Night life, SE—Social environment, LS--Lodging services

TABLE 2
Comparisons of Destination Images among the Three Clusters.

	All Sample n = 322		Veteran n = 62 (19 %)		Enthusiast n = 161 (50 %)		Novice n = 99 (31 %)		ANOVA
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	F
Cognitive image									
Culture and heritage	4.31	0.55	4.26 ^a	0.57	4.49 ^{ab}	0.40	4.06 ^b	0.63	22.02 ^{**}
Natural resources	3.68	0.56	3.59	0.55	3.75	0.59	3.61	0.50	3.09 [*]
General infrastructures	2.95	0.68	2.94 ^a	0.73	2.71 ^b	0.58	3.34 ^{ab}	0.64	30.29 ^{**}
Night life	3.04	0.55	3.04	0.55	2.92 ^a	0.57	3.24 ^a	0.44	11.38 ^{**}
Social environment	3.78	0.70	2.79 ^{ab}	0.59	4.16 ^{ac}	0.40	3.77 ^{bc}	0.51	184.00 ^{**}
Lodging services	3.78	0.78	4.06 ^a	0.60	3.89 ^b	0.77	3.43 ^{ab}	0.78	16.78 ^{**}
Affective image	3.54	0.70	3.74 ^a	0.58	3.42 ^{ab}	0.72	3.64 ^b	0.71	6.24 ^{**}
Overall image	3.25	0.85	3.48 ^a	0.86	3.11 ^a	0.89	3.32	0.74	4.91 ^{**}

Note: S.D.—Standard Deviation

Means with the same superscripts denote significant difference resulting from Scheffe’s test.

*--p < .05

**--p < .01

TABLE 3
Comparisons of demographics and travel patterns among the three clusters.

	All Sample n = 322		Veteran n = 62 (19 %)		Enthusiast n = 161 (50%)		Novice n = 99 (31%)	
	n	%	n	%	n	%	n	%
Gender								
Male	237	73.60	44	70.97	116	72.05	77	77.78
Female	85	26.40	18	29.03	45	27.95	22	22.22
Age								
Under 30	18	5.64	5	8.06	7	4.35	6	6.06
30 - 55	257	80.56	52	83.87	125	77.64	80	80.81
Above 55	44	13.79	5	8.06	27	16.77	12	12.12
Nationality/Citizenship								
USA	223	69.25	40	64.52	116	72.05	67	67.68
Non-USA	98	30.75	62	35.48	45	27.95	32	32.32
Number of prior visit								
0 visit	99	30.75	14	22.58	45	27.95	40	40.40
1 - 2 visits	145	45.03	28	45.16	81	50.31	36	36.36
3 - 4 visits	29	9.01	10	16.13	12	7.45	7	7.07
More than 4 visits	49	15.22	10	16.13	23	14.29	16	16.16
Final destination								
India	185	57.45	37	59.68	61	37.89	39	39.39
Other	137	42.55	25	40.32	100	62.11	60	60.61
Purpose of travel ¹								
Business	194	60.25	50	80.65	79	49.07	65	65.66
Vacation	138	42.86	18	29.03	87	54.04	33	33.33
Visiting friends	30	9.32	6	9.68	15	9.32	9	9.09
Visiting attraction	51	15.84	6	9.68	21	13.04	24	24.24
Education	9	2.80	0	-	3	1.86	6	6.06
Others	7	2.17	1	1.61	5	3.11	1	1.01
City to visit ¹								
Bangalore	135	41.93	36	58.06	53	32.92	46	46.46
Delhi	169	52.48	28	45.16	92	57.14	49	49.49
Chennai	60	18.63	19	30.65	28	17.39	13	13.13
Hyderabad	65	20.19	12	19.35	30	18.63	23	23.23
Kolkata	31	9.63	7	11.29	17	10.56	7	7.07
Mumbai	94	29.19	21	33.87	49	30.43	24	24.24
Others	138	42.86	19	30.65	86	53.42	33	33.33
Length of stay								
Under 5 days	27	8.39	8	12.90	9	5.59	10	10.10
5 - 10 days	135	41.93	23	37.10	68	42.24	44	44.44
11 - 20 days	117	36.34	28	45.16	58	36.02	31	31.31
More than 20 days	43	13.35	3	4.84	26	16.15	14	14.14

Note: 1—Since it is common for long haul travelers to fulfill multiple purposes and visiting more than one cities, both purpose of travel and city to visit are multiple responses items. Hence, the total of n's of purpose of travel and city to visit were greater than the sample size.

and transforming into modernized cities with higher per capita income. However, their perception of general infrastructure (2.94) was unfavorable. The reason may be that this group experienced the perceived problematic transportation connecting most of the country.

The second cluster is labeled as *enthusiast*, because 73 percent of the members in this cluster had visited India at least once before; they traveled for different purposes and they stayed longer. Members in this cluster consisted of 72 percent of males and 28 percent females. They tended to be older when compared to the other two clusters with more members (17 percent) being over 55 years old.

In terms of travel pattern, only 38 percent of the members indicated that India was their final destination. They visited India for business (49 percent) as well as vacation (54 percent) purposes. The cities to visit included Delhi (57 percent), Bangalore (33 percent), Mumbai (30 percent), and others (53 percent). Since Delhi and Mumbai are commercial centers, the majority of the members in this cluster might engage in businesses other than the technology industry.

The enthusiasts demonstrated mixed perceptions of India. They had the most favorable perceptions of India as a country which has rich culture and heritage (4.49) and natural resources (3.75). However, their overall perception (3.11) and affective perception (3.42) of India was the most unfavorable among the three clusters. In addition, their perceptions of general infrastructures (2.71) and night life (2.92) were also unfavorable. They also perceived India as being associated with poverty and overcrowding (social environment = 4.16). One possible interpretation of these findings might be that their perceptions were influenced by the cities they were visiting. Delhi and Mumbai are among the most populated cities in India (Census of India 2001), where public transportation, social services, and environment are major challenges for living and traveling in these two cities (Hamm 2007).

The third cluster is named as *novice* because 40 percent of the members in this cluster had never visited India. The members comprised of 78 percent of males and 22 percent of females, with majority of the participants were between 30 to 55 years old. About 39 percent of the members indicated that India was their final destination. Although business was their main purpose to visit India, members also indicated they would take vacation (33 percent) or visit attractions (24 percent) while on their trip. Although 46 percent of them would visit the "tech city" of Bangalore, they also would visit commercial and industrial cities such as Delhi (49 percent), Mumbai (24 percent), and Hyderabad (23 percent).

Because a large percentage of the novice group had never visited India before, they possessed limited knowledge of India. This was evident in their neutral overall and affective perceptions of India. Although they favored the rich culture and heritage of India, the score (4.06) was the lowest among the three clusters. However, they had favorable perceptions of general infrastructures and night life than the other clusters. These findings might denote the novel nature of novice travelers.

CONCLUSIONS

This study explored the possibility of segmenting business travelers using destination image variables as the segmentation criteria. Data analyses were based on 322 departing travelers to India from the San Francisco International Airport. Although generalization of the study's findings are constrained due to the convenience sampling method employed as well as sampling from a single airport, the cluster analyses indicated that the three segments of travelers perceived India differently. In addition, the three segments demonstrated different travel patterns.

With the current trend of globalization, there has been an increasing interest in marketing a destination to business travelers. The spending coupled with the business opportunities afforded by this segment has the

potential of making significant contributions to the host economy of the host destination. This, however, is predicated on how a destination is perceived by the traveler. In the past, the overall image of India was depicted as largely negative (Chaudhury 1996, 2000). The findings in the current study suggest that the overall image of India has improved. More experienced business travelers (veterans) perceived India positively when compared to less experienced traveler (novices).

The implications of this study are two fold. First, the findings provide insight into ways that business travelers perceive a destination. This addresses a gap in literature where a majority of previous studies on destination image focused on leisure travelers. Findings of this study indicate that business travelers' perception of India is shaped by its culture and heritage, natural resources, general infrastructures, night life, social environment, and lodging services. India's rich culture and heritage has been recognized by all three groups of travelers. They have different concerns about social environment and travel services, e.g., transportations, health care, communication services, night life and lodging services. As Hamm (2007) suggested that as the number of business travelers coming to visit India increases, there should be a priority placed on improving general infrastructures and services to accommodate their needs. In particular, special considerations should also be given to the identified needs of business travelers, e.g., night life and lodging services. This would serve as an incentive to promote re-visitation, thereby encouraging them to spend more time and money.

The second implication of this study involves marketing India as a destination. This study revealed that tourism marketers in India should not treat business travelers as a homogeneous group, as the results indicate that the business traveler market segment is characterized by different sub-segments based on their unique needs and desires. Three sub-groups were identified in this study. Destination marketers should consider differences in their target

markets and tailor marketing efforts to specific sub-segments.

Marketing campaigns should consider utilizing multiple appeals and channels to address the needs of different target groups. For example, one of the successful campaigns in recent years has been the *Incredible India* (www.incredibleindia.org) campaign launched by the Department of Tourism of India in 2002. It is an integrated worldwide marketing campaign for branding India as an attractive tourism destination of choice for discerning travelers. The campaign utilizes websites, television commercials, radio broadcasting, and printed materials to publicize travel information in India. Although the success of this campaign has been recognized, additional campaign efforts are needed to further promote India in the international tourism market.

Further more, tourism marketers should also keep in mind that word-of-mouth recommendations from colleagues or friends are recognized as the most important source in forming a destination's image. Providing a pleasant travel experience to visitors will help spread the word and thus contribute to the formation of destination image of potential visitors.

In conclusion, this study provides new insights into how business travelers from the U.S. perceive India as a travel destination. More research is needed to expand both the theoretical foundations and the practical applications of the findings. Due to limited resources, this study sample was drawn at a single airport. Future studies need to include more travelers and departing airports for improved external validity. Second, the differences between travelers and non-travelers regarding ways that destination image affected willingness to travel could not be determined in this study. Future research should include both travelers and non-travelers to India. Finally, further research should focus on how destination image influences tourist spending in the host destination.

REFERENCES

- Alhemoud, A.M. and E.G. Armstrong (1996), "Image of Tourism Attractions in Kuwait," *Journal of Travel Research*, 34(4), 76-80.
- Baloglu, S. and K.W. McCleary (1999a), "U.S. International Pleasure Travelers' Images of Four Mediterranean Destinations: A Comparison of Visitors and Nonvisitors," *Journal of Travel Research*, 38(2), 144-152.
- Baloglu, S. and K.W. McCleary (1999b), "A Model of Destination Image Formation," *Annals of Tourism Research*, 26(4), 868-897.
- Beerli, A. and J. D. Martin (2004), "Factors Influencing Destination Image," *Annals of Tourism Research*, 31(3), 657-681.
- Bigné, J. E., M. I. Sánchez and J. Sánchez (2001), "Tourism Image, Evaluation Variables and After Purchase Behaviour: Inter-Relationship," *Tourism Management*, 22(6), 607-616.
- Bowen, J. T. (1998), "Market Segmentation in Hospitality Research: No Longer a Sequential Process," *International Journal of Contemporary Hospitality Management*, 10(7), 289-296.
- California Travel and Tourism Commission (2004), "Travel Forecast," (accessed June 27, 2006), [available at <http://www.gocalif.ca.gov/tourism/pdfs/TravelForecast.pdf>].
- Census of India (2001), "Population Totals," (accessed August 20, 2007), [available at <http://www.censusindia.gov.in>].
- Chaudhary, M. (1996), "India's Tourism: A Paradoxical Product," *Tourism Management*, 17(8), 616-619.
- Chaudhary, M. (2000), "India's Image as a Tourist Destination, A Perspective of Foreign Tourists," *Tourism Management*, 21(3), 293-297.
- Chen, J. S. and M. Uysal (2002), "Market Positioning Analysis: A Hybrid Approach," *Annals of Tourism Research*, 29(4), 987-1003.
- Chon, K. (1991), "Tourism Destination Image Modification Process," *Tourism Management*, March, 68-72.
- Gallarza, M. G., I. G. Saura and H. C. Garcia (2002), "Destination Image: Towards a Conceptual Framework," *Annals of Tourism Research*, 29(1), 56-78.
- Grosspietsch, M. (2006), "Perceived and Projected Images of Rwanda: Visitor and International Tour Operator Perspectives," *Tourism Management*, 27(2), 225-234.
- Hair, J. F., R. E. Anderson, R. L. Tatham and B. Black (1998), *Multivariate Data Analysis*, 5th ed. Upper Saddle River, NJ: Prentice Hall.
- Hamm, S. (2007), "The Trouble with India," *BusinessWeek*, March 19, pp. 48-58.
- Hofstede, F. T., J. E. M. Steenkamp and M. Wedel (1999), "International Market Segmentation Based on Consumer-Product Relations," *Journal of Marketing Research*, 36(1), 1-17.
- Janga, S. C., A. M. Morrison and J. T. O'Leary (2002), "Benefit Segmentation of Japanese Pleasure Travelers to the USA and Canada: Selecting Target Markets Based on the Profitability and Risk of Individual Market Segments," *Tourism Management*, 23(4), 367-378.
- Kim, H. and S. L. Richardson (2003), "Motion Picture Impacts on Destination Images," *Annals of Tourism Research*, 30(1), 216-237.
- Kotler, P., J. T. Bowen and J. C. Makens (2006), *Marketing for Hospitality and Tourism*, 4th ed. Upper Saddle River, NJ: Prentice Hall.
- Kotler, P., D. H. Haider and I. Rein (1993), *Marketing Places: Attracting Investment, Industry, and Tourism to Cities, States and Nations*. New York: Free Press.
- Lawson, F. and M. Baud-Bovy (1977), *Tourism and Recreational Development*. London: Architectural Press.
- Office of Travel and Tourism Industries (2006), *Select Destinations Visited by U.S. Resident Travelers 2004-2005*. (accessed September 18, 2006), [available at <http://tinet.ita.doc.gov/view/f-2005-08-001/index.html>].
- Pike, S. and C. Ryan (2004), "Destination Positioning Analysis through a Comparison of Cognitive, Affective and Cognitive Perceptions," *Journal of Travel Research*, 42(4), 10-33.

- Stabler, M. J. (1988), "The Image of Destination Regions: Theoretical and Empirical Aspects." In *Marketing in the Tourism Industry: The Promotion of Destination Regions*, ed. B. Goodall and G.. Ashworth, 133-161, New York: Croom Helm.
- Walmsley, D. J. and M. Young (1998), "Evaluative Images and Tourism: The Use of Personal Constructs to Describe the Structure of Destination Image," *Journal of Travel Research*, 36(3), 65-69.
- Wedel, M. and W. Kamakura (2000), *Market Segmentation: Conceptual and Methodological Foundations*, 2nd ed. Boston, MA: Kluwer Academic Publish.
- Woodside, A. G. and S. Lysonski (1989), "A General Model of Traveler Destination Choice," *Journal of Travel Research*, 17(4), 8-14.
- World Travel and Tourism Council (2007), "The 2007 Travel & Tourism Research Executive Summary" (accessed August 20, 2007), [available at <http://www.wttc.org>.]
- WTO Tourism Highlights. (2006), (accessed August 20, 2007), [available at <http://www.world-tourism.org/facts/menu.html>].