



Marketing Management Association

Dear Members of the MMA:

The program for the Spring 2004 conference, "Marketing in A Changing World," reveals once again the variety that has come to highlight Marketing Management Association meetings: the combination of academic papers, special sessions, and speakers, both academic and practitioner. Valerie Zeithaml, of the University of North Carolina, will be honored as a paradigm shifter for her pioneering work in Services Marketing. In addition, practitioners from Hyundai, Follett's, the Indianapolis Colts, the Museum of Science and Industry, Hormel, and BBDO will discuss marketing excellence in their organizations.

I especially want to thank my 18 track chairs and their reviewers who have helped solicit and sift the academic papers in these proceedings. Michelle Kunz has also brought her careful editorial flair to ensure the quality of the papers.

The following papers were judged to be the outstanding papers submitted for the conference:

The Irwin/McGraw Hill Award for the best paper submitted for the Marketing Management Association:
"Information Search and Perceived Risk: Are There Differences for In-Home Versus In-Store Shoppers?"

Dee Ann Larson, Mississippi University for Women
Brian T. Engelland, Mississippi State University
Ronald D. Taylor, Mississippi State University

The John Berens Award for the best paper in Marketing Management:
"The Customer Service Marathon: A Scoreboard-Based Projection for Customer Services and Satisfaction Courses"

Susan A. Baim, Miami University Middletown

The Paul Arney Award for the Best Paper in Marketing Ethics:
"The Influence of Ethical Control Systems and Moral Intensity on Sales Managers' Ethical Perceptions and Behavioral Intentions"

James DeConnick, Western Carolina University
John Rapp, University of Dayton

The Firooz Hekmat Award for the Best Paper in Marketing Relationships:
"The Dynamic Effect of Multiple Reference Points on Salesperson Decision and Risk Behavior over Multiple Accounting Periods"

Frank Fu, University of Houston
Eli Jones, University of Houston

It has been my privilege to serve you as your Program Chair and President Elect.

Frederick B. Hoyt

Frederick B. Hoyt
Illinois Wesleyan University

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In 1995, the Board of Directors initiated action to honor Marketing Management Association members who have served the Association and the profession particularly well with the designation "Fellow of the Marketing Management Association." Fellows of the Association are also designated as life members.

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SPRING 2004 CONFERENCE BEST PAPERS

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“The Influence of Ethical Control Systems and Moral Intensity on Sales Managers’ Ethical Perceptions and Behavioral Intentions”

James DeConinck, Western Carolina University

John Rapp, University of Dayton

JOHN BERANS AWARD FOR BEST PAPER IN MARKETING MANAGEMENT

“The Customer Service Marathon: A Scoreboard-Based Projection for Customer Services and Satisfaction Courses”

Susan A. Baim, Miami University of Middletown

FIROOZ HEKMAT AWARD FOR BEST PAPER IN MARKETING RELATIONSHIPS

“The Dynamic Effect of Multiple Reference Points on Salesperson Decision and Risk Behavior over Multiple Account Periods”

(Frank) Qingbo Fu, University of Houston

Eli Jones, University of Houston

CAREER AWARD FOR INNOVATIVE CONTRIBUTIONS TO MARKETING

Valerie Zeithaml, University of North Carolina

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INFORMATION SEARCH AND PERCEIVED RISK: ARE THERE DIFFERENCES FOR IN-HOME VERSUS IN-STORE SHOPPERS?

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ABSTRACT

A survey of houseware purchasers shows no significant differences between in-store and in-home shoppers in relation to perceived risk experienced or information search conducted. When Internet, catalog, and retail shoppers were examined separately, a different picture emerged. Overall, the results suggest consumer's perceptions of in-home shopping methods may be changing.

INTRODUCTION

Knowledge of information search is fundamental to understanding buyer behavior. In fact, it has a long history of interest in the consumer behavior literature and is still a fertile area of research today (Howard and Sheth 1969; Engel, Blackwell and Kollat 1978). Consumers start searching for information when they recognize a need for which they have no predetermined buying solution. The extent of search is determined, in part, by the buyer's involvement (Smith and Bristor 1994) with the purchase resulting from risk perceptions (Cox and Rich 1967; Lutz and Reilly 1974). Indeed, perceived risk is a common thread for almost all aspects of the consumer decision making process (Bauer 1960). It has been associated with all of the stages of decision making: search for information, evaluation of alternatives, decision commitment, and even post-purchase evaluation. In fact, the amount of information search conducted during the buying process has been shown to play an important role in post-purchase activities such as cognitive dissonance (Mitchell 1994; Cummings and Venkatesan 1976).

A review of the marketing literature reveals the vast majority of research in the information search and perceived risk arenas focuses on the in-store retail shopping experience (Punj and Staelin 1983; Capon and Burke 1980; Ring, Shriber and Horton 1980; Murray 1991). However, there has been little research devoted to these topics in the literature examining in-home purchase situations. This is surprising because of the

recent growth of consumer shopping and buying activities that now take place in the home. In-home shopping offers consumers the convenience of purchasing products at the time and location of their choosing, which is very appealing to today's time-conscious consumer.

The objective of this study is to examine the differences that may exist between in-home and in-store shopping with respect to perceived risk and information search. It is anticipated that the findings of this study will add a new dimension to the research already reported on product and store choice decisions, thereby giving retailers and marketers a richer understanding of shopping behavior.

For this study, in-home shoppers will be classified as those consumers who purchase merchandise from their home via catalog or Internet retailing. These consumers purchase products via in-home shopping methods for many reasons including convenience, lack of desirable stores in the area, and product variety. In-store shoppers are those consumers who travel to a physical location (i.e., a retail store) to purchase merchandise.

HYPOTHESIS DEVELOPMENT

In general, there are two types of information search, internal and external search. Consumers involved in purchase decisions first engage in an internal search, an examination of information retained

in memory (Murray 1991). External search, on the other hand, involves the acquisition of information from outside sources such as family, advertisements, and product literature (Beatty and Smith 1987).

Two aspects of external search that are of particular interest are benefits of search and search effort. Researchers have identified several benefits associated with search including choosing a product that best fits the person's needs, obtaining the lowest possible price, and a feeling of satisfaction with the purchase decision (Punj and Staelin 1983). External search effort is defined as the energy involved in obtaining information regarding the environment (Srinivasan and Ratchford 1991). Search effort begins when the consumer first deliberates the purchase and ends when the product/service is actually purchased (Srinivasan and Ratchford 1991). It is conceivable that both benefit of search and search effort may have distinctly different roles in the consumer decision making process of in-home and in-store shoppers. As such, we propose the following test hypotheses, all phrased in the null, non-directional format to facilitate two-tailed testing:

- H1: There is no difference in the benefit of information search perceived by consumers when purchasing products through in-home methods as opposed to buying the same products in a retail store.
- H2: There is no difference in the amount of information search effort exhibited by consumers when purchasing products through in-home methods as opposed to buying the same products in a retail store.

All consumers, be it in-home or in-store shoppers, go through a consumer decision making process when purchasing products. During this process, there is a certain amount of risk, or uncertainty, that may be perceived by the consumer (McCorkle 1990). Perceived risk is one area that has received a fair amount of interest in the in-home shopping arena (Cox and Rich 1964; McCorkle 1990; Jasper and Ouellett 1994; Korgaonkar 1982; Spence, Engel and Blackwell 1970; Festervand, Snyder and Tsalikis 1986), however, only three of these studies examined risk in relation to both in-home and in-store shopping (Cox and Rich 1964; Spence, Engel and Blackwell 1970; Festervand, Snyder and Tsalikis 1986). All three studies did conclude that the risk perceived in an in-home shopping

situation is higher than in an in-store situation; nonetheless, it is important to note that no recent research has examined these relationships. Given that direct marketing has been around for quite a while and is growing at such a fast pace, and with the advent of on-line shopping, it may be that consumers no longer experience the same level of perceived risk as when direct marketing first became popular. Technology has enabled marketers to present products in exciting new ways. Most consumers are no longer frightened or leery of purchasing products that cannot be immediately taken into possession. Thus, current knowledge regarding the perceived risk experienced by in-home shoppers is needed. Therefore, we propose the following test hypothesis:

- H3: There is no difference in the overall amount of risk perceived by consumers when purchasing products through in-home methods as opposed to buying the same products in a retail store.

RESEARCH METHODOLOGY

Measures for each of the constructs were selected from previously validated scales, and include the Perceived Risk Scale (Booker, 1984) and the Information Search Scale (Srinivasan and Ratchford 1991). The Perceived Risk scale is a 5 point Likert scale comprised of 7 questions, one for each type of perceived risk and one for overall perceived risk. All six types of perceived risk come together to create the overall construct of perceived risk. The benefit of information search scale is a 7 point Likert scale comprised of 7 statements regarding the consumer's information search activities. The information search effort scale is a 5 point Likert scale comprised of 9 questions designed to probe the amount of effort the consumer's exerted during the information search process. A pilot study was conducted with a convenience sample of 300 undergraduate business students. This study allowed for an initial indication of the reliability of the measurement scales and the clarity of the questionnaire. In order to reach a variety of respondents, an assortment of courses were chosen. Also, in order to reach traditional and non-traditional students, surveys were distributed to day and night classes.

The preliminary analysis of the pilot included the computation of Cronbach Alpha for each construct used in the study to check for internal consistency of the scales (Cronbach 1951). All of the alpha values were

above the minimum value of 0.70 suggested by Nunnally (1967); therefore, all of the measures were included in the final questionnaire.

Data collection

The sampling frame for this study consists of in-store, catalog, and Internet shoppers who purchased some form of housewares from a national retail chain within a week prior to the beginning of the data collection. The chain has over 1000 retail stores across the country, is a catalog merchant, and has a popular Internet retail site. With a customer base of over 60 million, the company was able to provide a list of customers that had recently purchased some form of housewares from their retail stores, catalog, or Web site. The data was then collected via a telephone interview conducted by a national research company using experienced interviewers. The telephone interviews were monitored on a random basis to ensure quality and a response rate of 32 percent was obtained.

At the beginning of each interview, the respondents were asked to indicate the shopping method (i.e., in-store, catalog, or Internet) used for their most recent purchase. Once the most recent method of shopping was identified, all subsequent questions were

asked with respect to that particular shopping mode. The data collection process resulted in 370 completed responses for the in-store group and 370 completed responses for the in-home group (i.e., catalog and Internet shoppers). This culminated in a total sample size of 740.

Measurement assessment

The measures used in this study are previously validated scales that have been used for several subsequent studies, with varying degrees of validation. Construct validity cannot be established with a single study (Peter 1981), but rather is an ongoing process that requires investigation each time a measure is employed. Accordingly, validity assessment was conducted for this study, with the in-home and in-store data sets being tested separately.

A principal components analysis was performed as a preliminary check of the measurement quality of the scales. The factor analysis results indicated some item cross-loadings. Following computation of coefficient alpha for each scale and each data set, the decision was made to eliminate the offending items from the balance of the analysis. This action resulted in coefficient alpha values above the 0.70 guideline (Nunnally 1967) (see Table 1).

Table 1: Cronbach Alpha Results

Scale	Number of measures in the scale	Cronbach Alpha In-home	Cronbach Alpha In-store
Results Prior to Deletion of Poor Measures			
Benefit of Information Search	7	.84	.88
Information Search Effort	8	.73	.75
Perceived Risk	7	.66	.67
Results After Deletion of Poor Measures			
Benefit of Information Search	7	.84	.88
Information Search Effort	7	.76	.77
Perceived Risk	6	.74	.71

Hypothesis tests

All variables held under the assumptions of linearity and homoscedasticity, however there was a small problem with normality. Data transformations resulted in only a minimal change. Because t-tests are robust under these conditions, and because samples were large, t-tests were employed to test the hypotheses.

In this study, the two different buying situations represent a treatment with two different levels (in-home and in-store shopping). Therefore, the buying situation is considered to be the independent variable and the dependent variables are perceived risk, benefit of information search and information search effort. Selection of a significance level of .05 resulted in a t-value of -1.96 for the lower tail and +1.96 for the upper tail. The t-test results are presented in Table 2.

None of the hypotheses could be rejected. Therefore, consumers apparently do not experience higher levels of perceived risk for in-home purchases. In addition, there does not appear to be any difference between in-home and in-store shoppers with respect to information search effort or benefit of information search.

The findings of no difference between in-home and in-store shopping in relation to perceived risk and information search seemed a bit counterintuitive,

especially since other researchers have reported findings to the contrary (Festervand, Snyder, and Tsalikis 1986). Accordingly, further investigation was undertaken. A different picture emerged when the two broad categories were broken down into smaller subsets – Internet, catalog, and retail shoppers. Data obtained from an expanded sample of 375 Internet, 375 catalog and 375 retail shoppers was analyzed using a series of ANOVAs with the buying situation as the independent variable (3 groups) and perceived risk, information search effort, and benefit of information search as the dependent variables.

Table 2 T-Test Results

Variable	Mean <i>In-store</i>	Mean <i>In-home</i>	<i>t-value</i>	<i>p</i>	Results
Benefit of Information Search	47.52	45.75	1.09	.273	H1 Supported
Information Search Effort	17.20	17.06	0.26	.789	H2 Supported
Perceived Risk	8.59	9.02	-1.50	.132	H3 Supported

Note: In-store: n=370; In-home: n=370; df=738

Table 3 ANOVA and Scheffe Test Results Across Shopping Modes

	ANOVA		Scheffe		
	F-Ratio	p-level	Retail/Catalog	Retail/Internet	Catalog/Internet
Benefit of Information Search	2.15	.116	NA	NA	NA
Information Search Effort	0.81	.440	NA	NA	NA
Perceived Risk	4.19	.015	.018	.660	.156

As seen in Table 3, results show a significant difference between the three buying situations with respect to perceived risk. However, differences between the three shopping modes were not significant at the < .05 level for information search effort or benefits of search.

In order to determine which shopping modes were significantly different with respect to involvement

and perceived risk, a post-hoc analysis was performed using the Scheffe test. The results, as shown in Table 3, indicate that catalog and Internet shoppers were significantly different for the involvement construct, while retail and catalog shoppers were significantly different for the perceived risk construct. With a mean score of 9.52 (Table 4), catalog shoppers experience more perceived risk than retail shoppers (mean = 8.66).

Table 4 Mean Scores

	Retail	Catalog	Internet
Benefit of Information Search	47.06	45.28	47.00
Information Search Effort	17.14	17.46	17.82
Perceived Risk	8.66	9.52	8.93

CONCLUSIONS

Prior to this study, there was a void in the

literature concerning the concepts of perceived risk and information search as they relate to the differences between in-home and in-store shopping methods.

Certainly, continuous efforts by many researchers in the field of marketing have enhanced our knowledge of these consumer buying process issues for in-store purchases. However, there has been a lack of interest in examining these topics in the in-home shopping arena. Consequently, this study was designed to fill the gap that existed in the in-home shopping literature.

Previous research indicated consumers perceive in-home shopping methods as significantly more risky than retail shopping (Festervand, Snyder, and Tsalikis 1986; Korgaohkar 1982; Spence, Engel, and Blackwell 1970; Cox and Rich 1964). The findings of this study cast some doubt on that finding. When examined as broad groups (in-home versus in-store), the results indicated that consumers do not view in-home shopping methods as a more risky form of shopping. The respondents did rate in-home shopping as slightly more risky than in-store shopping, however, the difference in mean scores is very small. In fact, the hypothesis testing procedure indicated the difference is not statistically significant.

However, when the groups were examined with respect to the specific type of shopping (i.e., retail, catalog, and Internet), a slightly different finding emerged. A series of ANOVAs revealed that catalog shoppers do experience more perceived risk than retail shoppers. Although, there is no difference between retail and Internet shoppers or Internet and catalog shoppers with respect to perceived risk. The finding that consumers view catalog, as opposed to retail shopping as a more risky form shopping is not surprising in that other studies have ascertained similar results (Spence, Engel and Blackwell 1970; Festervand, Snyder and Tsalikis 1986). So, why do consumers feel that Internet shopping is not a risky form of shopping? Much has changed in the past 30 years. Most consumers are no longer frightened or leery of purchasing products that cannot be immediately taken into possession. In addition, the industry is now beginning to see generational changes that are boosting the use of the web for e-commerce: individuals who grew up with computers are finding that doing their shopping on-line comes naturally. Furthermore, technology has enabled marketers to present products in exciting new ways. For example, new techniques have made instant price comparisons possible, which serves to make online shopping cheaper, and often more entertaining. All of which have served to reduce the level of risk once associated with Internet purchases.

It should be mentioned that this study revealed an overall lack of perceived risk associated with shopping in general. Evidently, consumers feel very little risk when shopping via catalogs, Internet, or retail stores for houseware items. To evaluate perceived risk, consumers were asked to think about their latest houseware purchase. They were then asked a series of questions designed to evaluate the level of perceived risk associated with a particular buying situation. Due to the nature of the questioning process, the lack of perceived risk finding could have more to do with product category than the buying situation. It could be that consumers simply do not view housewares as a risky purchase, which leads to an important question. Is the lack of perceived risk a product-specific or a buying situation specific phenomenon?

This study did provide some support for the belief that perceived risk is a product-specific event. At the end of the questionnaire, far removed from the perceived risk scale, the respondents were asked how comfortable they were with making purchases over the Internet and through catalogs. Sixty-three percent of the in-home shoppers indicated they were not comfortable with purchasing products over the Internet and 94% indicated they were not comfortable with purchasing products through catalogs. Keep in mind these respondents also reported low levels of perceived risk associated with their previous purchase of a houseware item via an in-home shopping method. Since the respondents were obviously uncomfortable with purchasing products via the Internet or a catalog, but still reported low levels of perceived risk associated with their most recent purchase, it appears perceived risk is a product-specific event.

Finally, it is conceivable that both benefit of search and search effort could have distinctly different roles in the consumer decision making process of in-home and in-store shoppers. However, this study did not reveal any differences. Evidently, the particular shopping mode has no impact on the amount of effort an individual exerts toward gaining information about a purchase under consideration. In addition, the benefits of information search such as choosing a product that best fits the person's needs or obtaining the lowest possible price is not specific to any one type of shopping situation.

Understanding the consumer's decision making process is a key starting point in understanding any type of purchase. Different types of purchases

generally result in slightly different types of decision making processes. This study has provided a glimpse at the differences between information search and

perceived risk relative to in-home and in-store purchases, thereby, giving retailers and marketers a richer understanding of shopping behavior.

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ESCAPE FROM SELF-AWARENESS: ANOTHER EXPLANATION FOR COMPULSIVE BUYING

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ABSTRACT

Research on compulsive buying has probed this abnormal consumption behavior from different perspectives. For example, underlying genetic structure, family structure and psychological traits have been explored as possible causes for this behavior. However, little is known about the causal processes involved in the behavior from *awareness* perspective. The link between awareness theory and compulsive behavior can enhance our understandings of the “whys” of this behavior.

This paper applies escape theory to compulsive buying behavior, proposing that compulsive buying behavior is motivated by a desire to escape from self-awareness. Escape theory states that people try to escape from self-awareness when they feel burdensome and aversive of being aware of themselves. The common strategy is to reduce one’s awareness to a limited extent, and just focus on the present and immediate stimulus environment. Based on escape theory, compulsive buyers attempt the cognitive response of narrowing attention to the immediate stimulus environment and avoiding broadly meaningful thought.

The major attributes of the escape model suggests that the following features should be more characteristic of compulsive buyers than normal people: high standards of themselves, high tendency of perfectionism, high levels of self-awareness, low levels of self-esteem, negative affect and lack of inhibition. Past research findings suggest that since compulsive consumers are more likely to compare themselves with others or norm standards, they are more likely to have high self-awareness and low self-esteem. They are likely to develop into anxiety, depression and worries. In order to get rid of these thoughts, they have to shift their awareness level. Shopping becomes a convenient way to escape from high self-awareness by focusing on the actual products and the environment. While they are at low levels of self-awareness, the connection between immediate and distal stimuli is cut off. Since the negative cognitions are out of the consumers’ mind at that time, they can achieve short-term gratification.

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COLLEGE STUDENTS AND CREDIT CARD USAGE

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ABSTRACT

The college years are a time for learning and new experiences; unfortunately, one of the new experiences may cause future problems for some students. This is the time when many will get their first credit card, learn to say "charge it" and begin accumulating consumer debt. A debt, which will lead many to an early bankruptcy filing

To better understand how college students use credit and cash, this study was undertaken. Business students enrolled at one west coast university were surveyed to learn their preferences for how they would most likely pay for a range of consumer products. The results show that cash is still the preferred payment form for most items; however MasterCard or Visa is preferred for many large-ticket items. Some students reported using a credit card for almost all purchases, including lunch. ATM/debit cards appear to be a popular choice for many mid-priced items among this population.

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THE INFLUENCE OF UNRELATED BRAND EXTENSIONS ON THE IMAGE ASSOCIATIONS OF THE PARENT BRAND

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ABSTRACT

Brand extensions appear to be a widely utilized method by companies to add to their brand offerings throughout the world. It has been suggested that luxury brands can extend their brand offerings than non-luxury brands. This study analyzed whether Mercedes (high brand equity global brand) could extend into an unrelated image association extension such as Mercedes televisions. The results suggest that high-end brands will be able to extend into other image associations for which they are not known. The reciprocal influence suggests that the stronger the luxury brand extension is associated with the parent brand; the more positive the brand extension will be viewed

In the 21st century, it seems that brands are relying on brand extensions to help increase market share. In fact, companies launch about 16,000 new products a year of those 16,000 new products, 95% or 15,200 of those products are brand extensions. With 95% of new products introduced in the marketplace being brand extensions, it is imperative that marketers continue to analyze the influence of brand extensions on the brand equity of the parent brand. Previous research suggests that a high brand equity company can extend its brand further than a lower brand equity company. For instance, Mercedes (a high-brand equity company) should be able to extend into unrelated types of products other than cars (such as electronics, clothing, jewelry). On the other hand, Kia (low brand equity company) research suggests would struggle to gain acceptance of another product line, due to its low brand equity.

This study analyzed the influence of unrelated extension image association (UEIA), unrelated extension on the parent brand. The findings suggest that image associations (IMAGE) have a negative relationship to (UEIA). This should indicate to marketers that an unrelated product extension could have a negative effect on the parent brand and this should be taken into account when thinking of launching an unrelated brand extension for a luxury brand. Companies should launch brand extensions that are similar to the image associations of the parent brand, and de-emphasize unrelated brand extensions.

These results also suggest as did that luxury brands with their high brand equity can extend farther into other product categories. This researcher suggests that a company tread carefully when thinking of launching an unrelated brand extension, because by doing so short-term, it might help sales, but long-term this research indicates the possible devaluing the brand equity of the brand itself.

As more companies diversify its brands around the world, it is important to note that keeping the image association (IMAGE) congruent with that of the parent brand might help increase the attractiveness of that brand extension to consumers. For instance, if Mercedes launches a clothing line, it should launch it at a high price point, because that will be congruent with the (IMAGE) of Mercedes. The prestige factor should be put into the advertising/marketing campaign for the product including retail outlets with high brand equity appeal such as Saks Fifth Avenue, Bloomingdales, and Lord & Taylor etc.

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USING STUDENT PORTFOLIOS FOR MARKETING PROGRAM ASSESSMENT: A CASE STUDY

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ABSTRACT

To address growing assessment needs, the Marketing Department at a large mid-western university recently embarked upon a student portfolio project aimed at assessing the degree to which departmental learning objectives are being met. By utilizing open channels of communication throughout the development process, the portfolio pilot program has been very successful.

INTRODUCTION

The converging interests of universities, state boards of higher education, and professional accrediting agencies in assessing educational programs and putting into practice *Assurance of Learning* standards (AACSB 2003) have resulted in new opportunities for colleges of business and their departments to develop and implement assessment projects. Indeed, the decade of the nineties was one of philosophical change in the way educational achievement was viewed, with several factors contributing to how such achievement should be defined and giving greater weight to outcomes vis-à-vis inputs than previously had been the case. Specifically, schools and departments found themselves tackling the question, "*Have our students met articulated learning outcomes?*" To answer this critical question, heightened interest in assessment of business programs emerged. This paper chronicles the experiences of one marketing department at a large mid-western university and its journey to develop an assessment technique to capture evidence of learning.

Nationally and locally, higher education in the public sector has come under greater scrutiny—in part, because taxpayers demand it, and, in part, because the competitive climate of educational choice requires it. In Illinois, this process was formalized by the Illinois Board of Higher Education (IBHE) through its *Priorities, Quality, and Productivity (PQP)* initiative of the early-to-mid-1990s, and, more recently, *The Illinois Commitment: Partnerships, Opportunities, And Excellence* (1999), three of whose goals for the first decade of the 21st century include: helping Illinois business and industry sustain strong economic growth, holding students to even higher expectations for learning and being accountable for the quality of academic

programs and the assessment of learning, and continually improving productivity, cost-effectiveness, and accountability.

This university was an early advocate of assessment in higher education and, in 1993, the North Central Association (the accrediting body for institutions of higher learning in this region) recommended that all degree programs within the university have formal assessment plans. At the same time, AACSB International acknowledged the need for business schools to provide evidence that students were learning what was educationally valued and to demonstrate that a continuous improvement process was employed when outcomes did not meet expected goals. In April 2003, this mandate was strengthened with the passage of new AACSB *Assurance of Learning* standards (AACSB 2003) which required schools to link learning goals to their mission statements and demonstrate accomplishment of learning objectives. To that end, college strategic planning has played a key role in the development of an assessment plan and identification of undergraduate learning outcomes—while always mindful of the college's mission.

EARLY INITIATIVES AND VISION DEVELOPMENT

The process of identifying outcomes common to all undergraduate majors first began in 1997 with the College of Business Board of Executive Advisors and Strategic Planning Council (SPC) II. Their work, along with the subsequent contributions of SPC action teams, culminated in five learning outcomes: Business Communication, Problem Solving, Technical Expertise/Common Business Knowledge, Technological Expertise, and Student Career Preparation. It is important to note that these outcomes meet the mandate described in 9

Principles of Good Practice for Assessing Student Learning (Astin, et al 1999) of the American Association for Higher Education (AAHE).

Irrespective of major, graduating business students are expected to meet college-wide goals. In 2000, departmental assessment coordinators within the college, in conjunction with the Dean's Office staff responsible for assessment activities, collaborated on developing a concise list of factors to be included as part of their respective departmental supplements to the university's annual survey of baccalaureate alumni. This survey served to infuse some uniformity across majors for indirect assessment of those skills and abilities considered central to the undergraduate business curriculum and to allow for trend analysis across several years. Ultimately, these results become part of the departments' decision-making processes for targeting areas that need improvement. More precisely, these results support more directly-acquired evidence of learning.

Still, university- and college-wide initiatives can only complement and augment individual departments' assessment activities. The overriding responsibility for Assurance of Learning necessarily and legitimately rests with those faculty members directly involved in the educational process, and, over the past several years, departments within the College of Business have embarked on their own journeys to establish methods to assess learning. One of the techniques identified by the Department of Marketing has been portfolios. Although rarely employed in business schools, in many ways this is an ideal assessment vehicle since it dovetails well with AACSB's requirement that schools have examples of student work available for inspection at the on-site review and schools present examples of student performance on tests or in course project work (AACSB 2003).

DEPARTMENT OF MARKETING INITIATIVES AND PORTFOLIO APPROACH

In light of these mandates, the Department of Marketing explored the possibility of using student portfolios as an assessment tool. Previously, regularly conducted departmental assessment activities consisted of student grades, teacher evaluations, mid-term teacher evaluations, and the departmental alumni survey to assess student performance, instructor performance, and program performance. While these assessment tools have been quite helpful in evaluating departmental

activities, the Illinois Commitment and AACSB standards provided the impetus to have a more formal, systematic mechanism to identify how the department performs in meeting its mission and teaching students specific learning outcome objectives. The curriculum committee discussed several options for a more comprehensive program assessment. Some of these included internally developed exit exams for all marketing majors, internally developed standardized tests throughout the program, and externally developed certification exams, such as the Professional Certified Marketer exam administered by the AMA. Grades on these exams would be used to assess departmental performance, not that of individual students. However, given that a passing grade on any of these exams would not be a graduation requirement, the committee felt students were not likely to take the tests seriously. Furthermore, tests were viewed as problematic in assessing some of the departmental learning objectives, for example, oral communication. Subsequently, a student portfolio was examined for suitability as an effective program assessment instrument.

The idea for using a student portfolio as a program assessment tool began in the curriculum committee. Student portfolios are not a novel idea; they have been used for various purposes for years. In fact, portfolios are required for retention in several departments at this university (e.g., Art, Communications, etc.). A literature review, search of the AAHE website, and personal interviews with other universities revealed that student portfolios are commonly used for grading (Eastern Illinois University, Hawkins, Frederiksen, Collins, 1993; Hoyer, 1998; Swailes, 1997), personal reflection (McElwee and Evans, 1992), and seeking employment (Powell and Jankovich, 1998; Rybacki and Lattimore, 1999). Less commonly, they are used for program assessment (Rybacki and Lattimore, 1999).

One of the primary reasons the committee felt student portfolios were an attractive program assessment tool to explore was the benefits they also provide to students, for example, documentation and validation of skills they have acquired during the educational process, tracking growth and learning in a particular content area or of a particular skill (say, analytic thinking), and providing evidence of skills and abilities to prospective employers. Because the portfolio could provide direct benefits to the students, the committee felt that students would take the activity seriously and thus, portfolios would serve as a reliable program assessment.

The student portfolio idea was discussed at length in the curriculum committee and presented to the faculty. The department chair and faculty were all very supportive of exploring the idea and there was enthusiastic endorsement from the Dean's Office. Having applied for and been awarded a University Office of Assessment Services Development Grant, three members of the curriculum committee then became the Portfolio Committee and attended a seminar addressing student portfolios.

LEARNING OBJECTIVES, MEASUREMENT, AND RESULTS

The Department of Marketing has a mission statement and seven existing learning objectives which were developed in Spring 1994 coinciding with College strategic planning. These objectives, while not as detailed as the ones subsequently developed, provided the foundation for the current endeavor. Furthermore, there were no systematic and continuous processes or structures to determine whether the 1994 objectives were being adequately addressed and attained in the department.

The Portfolio Committee carefully examined the existing objectives and, after consultation with the AAHE Assessment Forum document (Astin, et al. 1999) and the marketing faculty, developed eight crucial learning objectives which are listed in Table 1.

Next, the Portfolio Committee polled the faculty to identify potential assignments in each course that would demonstrate the mastery of any of these eight learning objectives. This exercise resulted in a matrix which listed each learning objective and identified the various assignments that could potentially fulfill the objective. In Summer 2002, the Portfolio Committee attended a one-week, University-wide seminar on portfolio development. The seminar was designed to identify the rubric of a good assessment program and offer "hands-on" experience in developing portfolios. The Portfolio Committee used the information from this seminar to further refine the portfolio proposal and learning objectives, both of which were then approved by the marketing faculty.

In Spring 2003, a pilot test was initiated to assess the efficacy of the proposed rubric. Two faculty members volunteered their classes for the pilot tests. The majority of students recruited for the project were in their junior year. They were informed about the background of the pilot project,

given detailed instructions on how to complete the portfolio, and provided with binders for their portfolios. Because this was a pilot test and the majority of students were not likely to have completed their marketing curriculum, they were asked to demonstrate their competency in six of the eight objectives. Portfolios were collected the last week of class and the Portfolio Committee evaluated the portfolios in May 2003.

The committee developed specific assessment criteria for each of the identified objectives. For example, an understanding of the learning objective labeled Marketing Concepts listed five primary areas in which students were expected to demonstrate their competency. The evaluation standard stated that demonstration of a good understanding of all five areas would be deemed "exceptional," whereas, an understanding of three areas would be considered "satisfactory." Each portfolio was evaluated independently by two faculty members and was rated "exceptional," "satisfactory" or "unsatisfactory" for each learning objective based upon these pre-determined standards.

Overall, fifty-six portfolios were evaluated by the three members of the Portfolio Committee. Results were combined to evaluate whether they met the objectives identified by the committee. Interrater reliabilities were calculated to assess whether evaluations were consistent across evaluators. Those reliabilities ranged from 54% to 83%, which, while somewhat lower than desired, were deemed acceptable for this first attempt at evaluation.

Results of the pilot test suggested that in general, six of the eight learning objectives were being adequately addressed in the curriculum. There were some minor problems with some assignments being of satisfactory quality but submitted to demonstrate a competency in an inappropriate area. This indicated that the instructions needed to be more specific, so that students more correctly understood what kind of assignments properly aligned with a particular outcome. The other two learning objectives, while being addressed in the curriculum, did not have appropriate assignments to document the necessary competence. The portfolio committee has discussed various options to address how to systematically capture these two learning objectives in the curriculum and those are currently being evaluated by the department.

IMPLEMENTATION OF THE PORTFOLIO REQUIREMENT

Any curriculum change as significant as the addition and evaluation of portfolios summarizing a student's final two years of work requires a great deal of input and flexibility on the part of the committee developing the proposal. By starting with clearly stated objectives, and by keeping the Department of Marketing informed of its progress on a regular basis, the Portfolio Committee has been able to develop a proposal that addresses a variety of AACSB, College of Business, Departmental, and student issues, and one that is expected to be readily approved by the department's faculty. The following detailed recommendations will be presented to, discussed with, and likely approved by the Department of Marketing, then subsequently submitted to the College of Business Curriculum Committee for its approval.

The portfolio proposal consists of the following elements: 1) AACSB, college, departmental, and student requirements, 2) specific learning outcomes, 3) the portfolio format, 4) communication of the portfolio requirement to the students, 5) specific catalog copy, 6) portfolio evaluation criteria and the evaluation process, and 8) faculty member roles and responsibilities. Each is described below.

As previously discussed, the faculty has already been made aware of AACSB, college, departmental and student needs. Having been convinced that a student portfolio meets these needs, and that the Department should embark upon a portfolio initiative, the first element of the proposal was addressed with surprising ease.

The eight learning objectives (Table 1) were agreed upon by the faculty in previous meetings and have not met with any major objections. The portfolio format is a major concern. While CD and web-based portfolios were seriously considered, the Portfolio and Curriculum Committees unanimously agreed that the initial program should be conducted requiring only printed materials, with supporting videos where appropriate. The option for more technologically advanced media is left open for consideration at a later date.

The communication of the portfolio requirement to all marketing majors will be done through a variety of media. Announcements will be made to marketing majors in their Marketing Principles class taken first semester - junior year, as

well as to all students in marketing classes. Faculty members have been asked to include in their class syllabi references to the portfolio in terms of which class assignments may satisfy specific learning objectives. A web page outlining and detailing the portfolio will be developed by departmental personnel as soon as the proposal has been approved.

Because the student portfolio will become a requirement for graduation, appropriate language must be added to the university catalog. The language recommended by the Portfolio Committee and approved by the Department Curriculum Committee is clear and simple: "All Marketing majors must complete a portfolio of a selected collection of their marketing assignments to be turned in the last week of classes in the semester that they graduate. Instructions for portfolio content may be found in the Department of Marketing." This copy is expected to be approved by the marketing faculty, as well as College and University Curriculum Committees.

The original Portfolio Committee developed detailed evaluation criteria which were used in assessing the portfolios in the initial pilot study. The Portfolio Committee is now designated as a standing committee of the department, the members of which will be responsible for selecting and reviewing a sample of student portfolios each year. The evaluation criteria may be revised by the committee as needed. The overall portfolio process and roles and responsibilities of the individual faculty members have already been discussed and approved by the faculty. The portfolio process and faculty responsibilities intentionally were left broad and basic, because they may change as the first round of portfolios are submitted and evaluated.

The successful implementation of any curriculum initiative is strongly dependent upon the buy-in and support of faculty. While the Department of Marketing faculty had previously approved the portfolio concept and the implementation of a pilot study, approval of a detailed portfolio proposal including catalog copy, faculty responsibilities, portfolio evaluation criteria, etc. will be far more involved. Cognizant of these issues, the Portfolio Committee has kept the faculty abreast of nearly every step taken to date. Thus, final approval of the proposal is anticipated with only limited modifications. To date, the entire Department of Marketing faculty has been extremely supportive of the initiative and anxious to see a final proposal brought to the table for discussion.

BENEFITS AND LESSONS LEARNED

Working on the portfolio committee has proven to be one of the more rewarding service opportunities offered by the Department of Marketing. The exercise successfully implements strategy outlined by the AACSB, College of Business, and Department of Marketing, and it considers the needs of the marketplace and students in a way that few other assignments could. The process also put to test many of the marketing strategy implementation and teamwork principles taught frequently in the marketing curriculum.

Of specific interest is the degree of cooperation witnessed from individuals outside of the Department of Marketing and the university. The student portfolio concept appears to be so appropriate for the needs of assessment and student placement that nearly everyone the portfolio committee dealt with was supportive and helpful. Students involved in the pilot study were also intrigued by the process and convinced that a strong portfolio would serve them well in their job searches. Department of Marketing faculty, however, proved to be the most supportive group of individuals involved in the study. Once presented with AACSB, College of Business, and Departmental goals, they gave unanimous support for the pilot program.

The portfolio committee learned that while numerous learning objectives exist within the Department of Marketing, proper assessment assignments may not. Syllabi changes are required to insure that each learning objective is aligned with an assignment that can be included in the portfolio and subsequently used for assessment purposes. The pilot study also demonstrated the need to require final submission of the portfolio after all the required undergraduate courses have been completed, or nearly completed. Juniors simply have not taken all the necessary courses and lack many suitable assignments required in the portfolio.

The portfolio project has proven to be an extremely rewarding endeavor that ties together AACSB, College of Business, and Department of Marketing goals and student needs. The program will assist the university in the assessment of its educational efforts, and students will develop a tool that can dramatically enhance their job career search efforts. Rarely does one curriculum initiative address issues from such a diverse group of stakeholders, but, by doing so, it offers the potential to dramatically advance the development, implementation, and evaluation of a targeted marketing curriculum.

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TABLE 1
Portfolio Assessment Guidelines

Learning Objective	Assessment Rubric	Rating
<p>Marketing Concepts Demonstrate an understanding of the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to attract and retain customers. Include product, pricing, promotion, distribution, sales management strategies, market/business environment, and customer relationships/target markets.</p>	<p>Product, pricing, promotion, distribution, sales management, marketing/business environment, customer relationships/target markets</p>	<p>If addressed sufficiently, 4/7 is satisfactory, 6/7 is exemplary</p>
<p>Problem Solving and Critical Thinking Demonstrate marketing related problem solving skills using qualitative and/or quantitative tools. Be able to develop feasible solutions within a fluid and situation-specific business environment. Specific skills to illustrate include analyzing critical factors leading to the identification of a problem/opportunity, conduct an appropriate analysis to generate information, use that information to develop suitable potential solutions based upon available resources and restrictions.</p>	<p>Problem/objectives identification, appropriate analysis, appropriate recommendations /solution</p>	<p>3/3 is required. Insightful or in-depth analysis is exemplary</p>
<p>Written Communication Demonstrate the ability to collect, organize, interpret, and coherently present information in written format. Use proper grammar and language for communicating in business memos, formal business letters, and business reports and proposals.</p>	<p>Coherence, organization, free of grammatical errors, appropriate language</p>	<p>Any major errors result in an unsatisfactory rating</p>
<p>Oral Communication Demonstrate the ability to collect, organize, interpret, and coherently present information in oral format. Use situation appropriate grammar, language, and professionalism to effectively convince/persuade an audience.</p>	<p>Coherence, organization, free of grammatical errors, appropriate language, articulation, persuasiveness, attire</p>	<p>All included will be exemplary</p>
<p>Technical Expertise Demonstrate relevant technological expertise to conduct data searches, secondary and primary data analysis, and presentation of findings. Demonstrate ability to effectively use common software packages for database design and use, Website development, quantitative analysis, etc. (e.g., SPSS, Excel, Access, HTML, Java, MS Project, etc.)</p>	<p>SPSS, Excel, Access, Website development, MS Project, database design, etc.</p>	<p>Any one acceptable, Evidence of mastery of software is exemplary</p>
<p>Global Business Knowledge Demonstrate an understanding of the global forces that shape firms' domestic and global strategies. Be able to analyze global potential through country analysis, including the political, cultural, economic, legal environments, strategy development and country risk/return.</p>	<p>Country analysis, political, cultural economic, legal, strategy development, country risk/return matrix</p>	<p>If addressed sufficiently, 4/7 is satisfactory, 6/7 is exemplary with insightful analysis</p>
<p>Ethical Awareness Demonstrate an awareness of and a personal philosophy towards ethical business practices.</p>	<p>Clear philosophy, coherent interpretation of an ethical dilemma</p>	<p>To be determined</p>
<p>Work Effectively in Teams Work effectively with a group of other individuals to accomplish a mutual goal and produce high quality outcomes. Demonstrate goal commitment, mutual respect, effective communication, flexibility, and productivity. Identify benefits and difficulties of working in teams.</p>	<p>Project, faculty rating, reflection paper</p>	<p>3/3 required. Specific insight(s) into teamwork is exemplary.</p>

SHOWCASING STUDENT SKILLS IN AN INCREASINGLY COMPETITIVE MARKETPLACE: DEVELOPMENT OF THE PROFESSIONAL MARKETING PORTFOLIO

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ABSTRACT

Marketing educators should consider incorporating student portfolios into the marketing curriculum. Portfolio-driven students are likely to pay greater attention to what they are learning as they are learning it, and be more prepared to make the transition to professional work life. Additionally, portfolios may bolster accreditation efforts.

INTRODUCTION

Are marketing students prepared to meet the demands of competitive markets? Employers are typically looking for tangible evidence that applicants have been successful and/or have developed the capabilities to be productive in the business world. In reviewing a portfolio, prospective employers can literally see what they are likely to get when making a hiring decision. They might also determine the extent to which the person's abilities conform to the needs of the company and the specific position under consideration.

What is a portfolio? It is "a purposeful collection of work that exhibits the learner's efforts, progress, and achievements" (Jarvinen and Kohonen 1995, p. 30). This collection should be coherent and integrative in reflecting relationships among the included items. The way in which the items are coordinated in the portfolio should speak highly for the learner's skills, experiences, and accomplishments. Portfolios may be used by people of all ages and having diverse goals, such as:

- Grade school students (Stemmer, Brown, and Smith 1992) interested in obtaining summer jobs.
- College graduates with varying work experience seeking acceptance into graduate programs.
- Practitioners desiring to change jobs or transfer to a different industry altogether.
- Pre-service teachers seeking state licensure (Senne and Rikard 2002).
- Medical school students expected to meet established requirements for practicing as a physician (Challis 1999).

- College professors applying for tenure, promotion, or reappointment, or submitting their annual review (Fleak, Romine, and Gilchrist 2003).
- Institutions of higher education seeking to meet standards of regional or professional accrediting associations (Lopez 1998).

The focus of this paper is on portfolio development as it may be practiced by undergraduate marketing students, and on the portfolio as a tool to be used toward their professional development and a directed career path. The purpose of the professional marketing portfolio in this instance is to showcase the student's marketing competencies, experiences, and achievements to the appropriate reviewing audience for the position at hand. The position may be defined in several ways, such as a job (full-time, part-time, summer), an internship, or a cooperative learning opportunity. The presenter of the portfolio must therefore concisely and persuasively make the best case for herself. The paper is divided into four sections: the portfolio development process; portfolio development mentorship; portfolio evaluation; and portfolio presentation.

DEVELOPING MARKETING PORTFOLIOS

Portfolio development must be student-centered: choices made in developing the portfolio should focus on the student's capabilities and experiences; they should not be based on the educator's unilateral or blanket decision-making that attempts to cover all students. This hands-on learning will ensure that the development process is meaningful to and empowering for the student. Moreover, each choice made by the student in developing the portfolio must be geared to the

audience to which the portfolio will likely be presented. This will ensure that the portfolio can be used as an effective tool by the student, that is, for the purpose intended.

Identifying Relevant Skills and Competencies

Regardless of the uniqueness inherent in the specific student's portfolio, portfolios naturally tend to showcase certain business oriented traits and skills: organizational skills, self-discipline, self-assessment, persuasive communication, personal responsibility, and learning ownership. Beyond these, different types of focal skills and abilities must be addressed depending upon the student's career goal and position of interest. Relevant skills for business managers may include, broadly speaking, human relations, leadership, personal, and problem-solving skills (Pool 2001, p. 56). The following sample skills and traits may be of even greater marketing relevance:

- Oral and written communication skills
- Interpersonal skills
- Teamwork
- Personal integrity (reliability, honesty, and so on)
- Computer skills (word processing, spreadsheet analysis, database manipulation)

Selecting Items Documenting Relevant Experiences and Achievements

Items demonstrating particular skills, abilities, experiences, and/or achievements of interest to the reviewing audience should be included in the portfolio. The student must select tangible products that best showcase these experiences and accomplishments. If relevant, unique experiences or achievements can assist the student in differentiating herself from other position-seekers. Each item included and each skill described should provide value-added evidence (Tarnowski et al. 1998, p. 19)

Constructing Overview Statements

The specific content of (items included in) the portfolio should be linked in one or more synthesizing or summarizing statements, otherwise the documented experiences and achievements will appear as a series of unrelated phenomena. Along with a matrix such as the one provided above, statements provide the glue that shows how the various items or elements stick together. Concisely written skill statements and personal or professional philosophy statements often fit the bill, as they provide the reviewer with an overarching perspective

for why the student deserves to be considered seriously, and how the student may in fact be uniquely qualified, for the position under consideration. Items selected should generally be performance-oriented: they should demonstrate the student's capabilities and what she has achieved through applying her skills. Following are sample items that might be included in the professional portfolio:

- Documentation of internship accomplishments (e.g., design of promotional brochure).
- Outcomes from working in a part-time job (e.g., level of sales generated).
- Highlights of participating in a study abroad program (e.g., language competency and cultural adaptability).
- Project documents (e.g., written communication and collaborative skills developed). (Active learning projects tend to require that students enhance certain skills toward project completion; see, e.g., Dudley, Davis, and McGrady 2001, who delineate professional competencies developed as a result of undergraduate student participation in an investment project.)
- Assignments (e.g., Excel document illustrating sophisticated numerical analyses).

The number of items included and skills discussed can easily result in an overly complex portfolio, so it is particularly important that the student decide which are most critical to be addressed. Students might find it helpful to use a matrix approach in deciding which specific skills to focus on for each of the items included in their portfolio. An effective portfolio presentation results from skills that can be shown to have been developed in multiple ways (i.e., through multiple items).

about the student in ways that are meaningful to the reviewer:

- Skill statement—delineates a skill set that has been developed uniquely by the student through coursework and other out-of-classroom activities, and that is especially relevant for the position desired.
- Professional statement—describes professional values and traits (e.g., initiative, responsibility, ethics) that are especially important to the student, have been demonstrated by the student from having participated in certain experiences, and are especially pertinent for the position desired.

Whichever overview statement is chosen, coherence must be evidenced throughout the portfolio, thereby demonstrating the student's focused employability or marketability profile. For example, students might integrate their work or internship experiences with their academic coursework to show how they have applied conceptual knowledge in specific workplace settings. Students also have the opportunity to reflect on their prior experiences and relate them to their intended career goal. Addressing their objectives and how they are prepared for a position helps students to become more focused and ensure that their desires are sufficiently relevant for the marketplace.

Designing the Portfolio for Optimal Appearance and Presentation

The portfolio should be sleek and limited in absolute size (i.e., not cumbersome) for both convenience of the student and elegance in presentation to the reviewer. Students should be able to carry their portfolio with ease. Moreover, upon presentation, both reviewers and students should be capable of accessing specific items easily, and reviewers should be able to digest information rapidly. Three sample design formats/layouts follow:

- Slim folder with pockets: Velcro, clasp, or zipper opening would be appropriate for ensuring that the contents (items) remain inside the folder pockets and yet can be easily accessed. The folder might best be used where the items themselves are of particular importance and/or of varying size or type, and where any summary or descriptive statements about the portfolio are short in length.
- Binder with tabs: Three-ring binder with tabs and pocket dividers would be appropriate for housing smaller sized items. The binder might best be utilized where there are multiple summarizing statements and where the items themselves are relatively short in length/not bulky.
- E-portfolio (see Young 2002): CD-ROM or webpage with links. The CD-ROM could literally be handed to the interviewer, whereas the webpage might be accessed electronically. The CD-ROM could be employed effectively where computer applications are critical to the position for which the applicant is applying. The e-portfolio might best be used when the applicant is required to apply for a position by email, whereby a simple link would enable the prospective reviewer to access the

portfolio if desired. Except in these and related circumstances, an e-portfolio or CD-ROM might supplement but should not normally take the place of a tangible portfolio, the latter of which can typically be presented more flexibly and easily in most professional situations.

Regardless of the specific layout adopted, the portfolio should be designed so as to open to a focal page (overview statement). From there, the presenter or reviewer should find it easy to navigate among the various items included.

MENTORING AND MONITORING PORTFOLIO DEVELOPMENT

Marketing educators can add value to student learning and the collegiate experience by providing either an option or a requirement for students to develop a professional portfolio under the educator's supervision. A broad spectrum of what might be characterized broadly as adult learning approaches might be employed by educators in mentoring and monitoring the portfolio development process. Five potential approaches are briefly discussed along the continuum of highly structured academic work to unstructured work (informal student-educator interaction).

Structured Curriculum: This approach might include a set of courses in the major that focus on marketing competencies. Each course could emphasize different skills, or the courses could be structured sequentially so as to require a progressively higher level of capability at each course's completion. The expectation for student expertise would then be tailor made for the portfolio development exercise. Such an undergraduate curriculum in management with three sequential courses and portfolio outcomes has been reported (Dodd, Brown, and Benham 2002). This undertaking would necessarily involve several collaborating faculty, and would likely call for a fundamental restructuring of a traditional curriculum into a more distinctly learner-centered, student developmental framework.

Academic Course: A required or elective course might be offered at the graduating senior (or perhaps earlier) level through which students meet regularly with an instructor. The course may include outcomes beyond a portfolio (deliverable) requirement, that is, portfolio development may or may not be the sole focus of the course. Individual class sessions can be devoted to various activities,

such as marketing ethics, professional demeanor, outside (practitioner) speakers, and so on. Students would receive academic credit for completing course requirements. If the course is required for graduating majors, marketing educators might find it productive to use a panel approach in evaluating each student's portfolio. Marketing practitioners could serve on such a panel to which students would present their portfolio. This latter feature would reinforce the notion that students should bridge the academic and working worlds. As studies have pointed out that academic performance bears little if any relationship to job performance (Hunt, Chonko, and Wood 1986; Roth, BeVier, and Switzer 1996), portfolio development might help students prepare for the transition—if not make a more successful transition—from college to career.

Independent Study: An independent study could be offered to select students who are particularly motivated and interested in self-development. The instructor might meet with the students in one group periodically and also consult with students individually as needed. Students would receive academic credit for completing the independent study, although varying credit hours might be awarded depending upon the extent of the work involved.

Portfolio Practicum: A low credit (perhaps pass-fail) option could be exercised in such a way as to involve academic faculty and career planning staff in tandem so that neither is overly burdened with guiding students through portfolio development. The portfolio function may preferably be housed in the career advising office; students could sign up with a willing faculty member on a case-by-case basis. The faculty member might meet with the student periodically. A marketing practitioner (such as an alumnus) might be brought into the portfolio advising mix. For example, a marketing researcher could help to advise a student interested in a marketing research career.

Career Advising: Students might choose to develop a portfolio as a no-credit option that could be implemented through a marketing club and/or normal career advising done by educators. Far fewer students are likely to exercise this option than the above alternatives, but those who do are likely to be especially committed to portfolio construction. The involvement of educators is likely to be severely limited, however, due to the fact that extrinsic motivators (such as monetary incentives) and appropriate supporting mechanisms are lacking.

Regardless of the specific approach selected by the educator, "portfolio-based learning is not a soft option... The construction and presentation of the finished article is very great and requires a consistency and commitment that is unusual to find in other educational processes" (Challis 1999, p. 377).

EVALUATING PORTFOLIOS

The method of portfolio evaluation should be carefully considered by those ultimately responsible for the student's grade (if the exercise is credit-bearing). Whereas teams of evaluators (educators, practitioners, etc.) may be assembled for evaluative purposes, the selection of the basic model of summative assessment is essentially a choice between the measurement and standards models (Biggs 1999).

Norm-Referenced Assessment

The measurement model would compare portfolios across individuals who constructed them. This norm-based method is probably inappropriate for portfolio evaluation due to the fact that the purposes of portfolio construction may differ widely, and because the set of skills and items included are likely to be unique to the individual describing them. The problems inherent in applying norm-referenced assessment to portfolio evaluation would also argue against teaching portfolio development to large-size classes if the educator were to fall back on comparative grading criteria as a result of time constraints.

Criterion-Referenced Assessment

The standards model is more appropriate in portfolio evaluation as it focuses on changes in performance through learning (development, growth, experience, etc.). Performance assessment in particular allows the evaluator to determine whether the candidate has reached a threshold level, what level has been reached, and even the extent to which the candidate has improved (if earlier measures were taken). Perhaps the chief problem in applying criterion-referenced assessment to portfolio evaluation is that the evaluator must rely on the student's selection of items that display skills as the sole indicators of student competence. Additionally, multiple skills would need to be assessed; time constraints may prohibit any effective means of doing so. Hence, though performance assessment might seem to be an appropriate method for evaluating

portfolios, objective judgments would be difficult to make.

These obstacles tend to argue against summative grading of portfolios on the basis of specific competency development, though they leave open the possibility of grading the overall portfolio itself as meeting or exceeding certain predefined standards or threshold levels. A professional presentation of a portfolio might be evaluated against stated oral communication and persuasion standards, and the finished tangible product could be assessed against the portfolio's intended purpose and audience. Multiple evaluators may also provide subjective perspectives that, when aggregated, could provide valuable feedback to students by way of formative or summative assessment. This would still argue against teaching portfolio development to large classes, unless done on a pass-fail basis.

Obstacles to objective grading standards and approaches notwithstanding, the portfolio concept reflects a valuable supplement if not alternative mechanism for marketing educators to employ in assessing educational outcomes, especially in light of accreditation standards. A portfolio component—typically to be completed by the end of the learner's major course curriculum—can provide value-added input into the program evaluation process.

PRESENTING PORTFOLIOS

During interviews with prospective employers and internship providers, the student must choose the appropriate moment to display her portfolio. The optimal time might be when the first sufficiently specific question is asked to allow the student to comment on a particular aspect of the portfolio. Once the portfolio is displayed, the interviewer is likely to become interested in knowing more about it—especially as professional portfolios are still uncommonly used in business. Depending upon the interviewer and the specific position under consideration, only certain portions of or items in the portfolio may be selected by the student or become salient to the interviewer. Students can thus differentiate themselves from other candidates much more readily, specifically, and decisively with a portfolio than with a resume, transcript, or other tool used widely by many applicants seeking positions.

The portfolio displays not only skills, experiences, and accomplishments, but also more generally demonstrates a high level of commitment to professionalism by students: their desire to present themselves and their work in the most positive light;

their willingness to put substantial time into portfolio development, which also bespeaks of their keen interest in submitting quality work; and their ability to project themselves to the future and a purposeful career path, which furthermore demonstrates their determination and perseverance.

CONCLUSION

Portfolios can help bridge the academic and working worlds by: merging marketing theory and practice; encouraging students to take on professional roles and to appreciate alternative marketing perspectives; and stimulating learners to engage continuously in professional development activities. Marketing practitioners in particular are likely to appreciate portfolios and find them appealing for the following reasons:

- Portfolios represent a distinct form of persuasion, and marketers must be competent at communicating successfully their ideas to diverse stakeholders.
- Portfolio development entails intensive work, and marketers should be capable of coordinating and completing large-scale, integrative projects.
- Portfolio construction involves consideration of utility (function) and stylistic factors (form), and marketers need to think both analytically and creatively.

Working on a portfolio thus entails using the same basic skill set required of marketing practitioners. And when students have not yet been employed on a full-time basis, they are that much more in need of producing substantial and convincing evidence that they are up to the task of performing a marketing job successfully.

A portfolio development exercise is particularly advantageous when advocated, managed, and monitored within the educational setting in that it bolsters the educator's macro objective of getting the student to take ownership of her learning. Portfolio construction may therefore represent the ultimate form of learning ownership, whereby students take what they learn and re-cast it into personally meaningful and professionally useful forms. Career ownership becomes especially critical for students as they make the transition from marketing novice to professional; the portfolio serves as concrete evidence of this significant transition to a professional identity.

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CUSTOMER RELATIONSHIP MANAGEMENT AND CONSUMER BEHAVIOR IN AN E-COMMERCE ENVIRONMENT

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ABSTRACT

Current e-commerce channels can be enhanced through the use of personalization techniques provided that companies respect their customers' privacy while still providing them with the products, content and information they desire. If e-personalization efforts are successful, companies can increase sales and customers can have more satisfying e-commerce experiences.

INTRODUCTION

Over the past several years, the Internet, and its accompanying technology, has provided an inexpensive and efficient way for companies to create an additional electronic sales channel to market their products. The benefits of this endeavor range from stellar to lackluster depending on a variety of factors, but the average of actual buyers is a mere 3% (Betts 2001) of all website visitors. This shortcoming is causing some companies to explore a possible solution to improve the ratio of visitors to buyers by introducing something known as electronic personalization (e-personalization). E-personalization can be defined as providing content or recommendations that are relevant specifically to a user based on past behavior, similarity with other users, explicitly defined preferences or individual characteristics. Currently, companies have many alternatives when considering an e-personalization strategy. In this paper, four general methodologies are presented and discussed. Each of these has its own set of benefits and drawbacks and they can be used exclusively or in any combination to achieve the desired results.

E-PERSONALIZATION METHODOLOGIES DEVELOPMENT CYCLE

Dynamic content is a technique used when a company wants to cater to the needs of customers from various segments of the population or who have exhibited different buying habits. For example, in business-to-business transactions, where buyers contact suppliers in search of industry specific materials or specialized components, buyers need to see detailed technical information and specifications

whereas other external customers might not. Companies might also use this technique based on previous purchases. *Amazon.com* is one of the predominant users of this type of approach in the business-to-customer sales arena. By offering suggestions to customers based on information the system has collected from previous visits and shopping cart selections, they are able to speed visitors through their electronic checkout line.

Providing suggestions and helping visitors quickly find the product they're interested in is undoubtedly a worthy pursuit, but a few years ago, *Amazon.com* took this idea one step further. To the displeasure of many customers, *Amazon.com* engaged in an activity known as dynamic pricing when they began charging different prices for the same DVD movies to different customers (Weiss & Mehrotra, 2001). By leveraging information ranging from zip codes to the amounts spent on past purchases, dynamic pricing allowed *Amazon.com* to adjust the price of goods and services to match a customer's willingness to pay. *Amazon.com* denied the claims of price discrimination by describing the variances as random price tests to its skeptical customers.

Those customers might be surprised to learn that the concept of dynamic pricing has been around since the beginning of commerce itself, but new technologies allow companies to manipulate prices almost instantly as well as gather and analyze customer-related data faster than ever before. Unfortunately, the current technology lacks scalability due to the complexity of the software and the tortuous algorithms required to produce the resulting content or price. However, there are

derivatives of this technique that are widely accepted and quite scalable.

Auctions, both traditional (English) and reverse, save buyers and sellers time and money by producing a true market value for the good or service in question. This is most notably due to the fact that the buyers set the selling price by placing bids or, in the case of reverse auctions, the sellers attempt to undercut their competition by offering a lower price to the buyer. One of the most popular customer-to-customer examples of the traditional auction is *eBay.com*. This website offers a text-searchable global system that allows customers to buy or sell any legal product imaginable. It has proven to be a highly effective way of using dynamic pricing to bring buyers and sellers together when considering limited, hard-to-find or time-sensitive items.

In addition to product prices, the cost of procuring services can be greatly reduced by using a reverse auction. In one example, the city of Chesapeake, VA, saved 28.5%, or just fewer than one hundred thousand dollars, of their annual vehicle tire contract by using Orbis Online's dynamic pricing platform (Orbis, Online Press, 2002). The Orbis system promotes competition between participating suppliers, in this case, tire manufacturers, by accepting and displaying bids and counter bids anonymously in an attempt to secure the buyer's business. Since the auction event was timed and suppliers' identities were masked from each other, the system helped Chesapeake find the lowest bidder without having to generate lengthy Requests for Quotes (RFQs) and other associated paperwork.

Saving time and money while delivering dynamic content and pricing are most beneficial when addressing active website visitors or an established customer base. But, how do companies entice customers, existing or otherwise, to visit their websites? The next e-personalization technique focuses on that task by notifying potential customers electronically.

It's important to differentiate this personalization technique from mass mailings and e-mail spam. Electronic promotions (e-promotions) should convey useful or valuable messages to a specific customer or group of customers in an attempt to establish and/or maintain an ongoing relationship. In contrast, mass mailings and spam involve sending a standardized message to every recipient available. Genuine e-promotions are abundant in many forms, but standard e-mail messages and banner ads are the most prevalent.

E-mail promotions are usually sent to customers who have signed up for a website's mailing list. Previously identified customers can be sent anything from a special offer to updates to the website's content. Occasionally, these messages are unwelcome, so most sites offer a way to opt out of a particular list and others allow customers to set their own preferences with regard to e-mail notifications. The next type of e-promotion doesn't offer quite as much flexibility to the customer but companies can still produce a highly noticeable, personalized message by implementing it. Personalized banner advertisements are messages that appear in the foreground of a customer's screen while visiting a company's website. Although these messages are sometimes considered annoying and intrusive, according to a Privacy and American Business survey (Romeo 1999), the majority of respondents said that they would be interested in receiving them. The crucial design element with regard to banner ads is to make sure they are targeting the correct audience with the correct message. When approached in this fashion, e-promotions can be an effective tool to give customers the type of personal touch they are looking for. In fact, learning about the customer and what he or she is looking for is a key part of the next e-personalization technique: Data Mining.

The process of data mining seeks to reveal a picture of customer through an iterative collection and manipulation of data surrounding their online activities. For e-personalization, data mining supports the profiling of consumers and consumer groups. This profile can then be used in conjunction with other personalization techniques to design better interfaces, messages, product offerings and price levels. Taking profiling to extreme levels by price discrimination and invasion of customers' privacy is not the goal of most data mining efforts. In addition to the ethical concerns surrounding data mining, this technique is cost prohibitive for small to medium size companies as the analytical software and data storage area required is quite expensive and takes months to implement. However, once implemented, the generated profiles can be leveraged and applied to consumer groups with similar behaviors. This application reduces erroneous marketing campaigns by targeting a more interested audience of customers that, in turn, will increase sales. To take this idea a step further, and attempt to predict a particular customer's likes and dislikes based on the behavior of similar customers, is known as collaborative filtering.

Collaborative Filtering is an e-personalization method that uses artificial

intelligence to algorithmically make product recommendations by taking advantage of the fact that other similar customers have already purchased the suggested product. This can be illustrated by offering a customer additional related selections when checking out of the website. Most commonly, these recommendations are prefaced by "People who bought this item also bought..." or some other similar phrase. Sellers might also present unrelated product offers and/or special pricing on obsolete, excess or slow-moving inventory at the point of sale. This method, while serving both parties involved, usually remains a relatively low profile and accurate alternative to other personalization techniques even if it's not as focused.

The recommendations offered via collaborative filtering systems can occasionally be misdirected if the data they represent are inaccurate. For instance, basing decisions on purchases made as gifts for other people or attempting to match purchase history data to an incomplete customer profile could generate erroneous results. For the most part, however, these systems provide a risk-free method of presenting products to the customer that he or she might be interested in.

As with any other marketing channel, companies have to consider what their customers expect in terms of fair treatment, convenience, improved service and privacy before they can see

positive results from personalization. The art of taking the right products to the right customers is further complicated by the fact that each customer is different and what works for one might not work for another. For the purposes of this paper, the issue of most concern regarding personalization is privacy. Companies engaged in any form of e-personalization have to be responsible and accountable Internet citizens by considering the variety of legal issues surrounding their customers' privacy. If personal information is collected, the collection mechanisms must adhere to both national and local laws and privacy statements regarding how the information is to be used might be necessary.

In addition to remaining legal, companies must give their customers at least some sense of control over their own personal data. A survey performed by Hanrick Associates (Han & Maclaurin, 2002) found that most people aren't concerned with their personal data being used for personalization efforts provided they know how it's going to be used beforehand. They are, however, strongly concerned with the "lack of control over who gets the information" and receiving "unsolicited e-mails," but by presenting "a clearly posted privacy policy," most sites would satisfy their customers, according to the survey. Moreover, the survey yields a set of resolutions to address the privacy concerns of most customers as described in Table 1.

Table 1. Privacy Concerns and Resolutions

Concern	Resolution
Big Brother effect	Explain the benefits of personalization in terms of time- and cost-savings to the customer.
Sharing information between companies	Control volumes of outbound calls and mail that affect the customers' daily lives.
Compromise of personal information	Focus on key trust points by using and promoting privacy related tools to recover online buyers.

The survey also suggests tailoring privacy statements to various demographic segments. This tip might help to give specific groups of customers the piece of mind they are looking for by addressing their chief concerns first. Of course, care must be taken not to limit information contained in the privacy statement as this might manifest a loss of trust and a possible decrease in revenue.

Sales

Returning customers are good no matter how you slice it and utilizing e-personalization techniques can provide an avenue to achieve that

objective. Personalizing content and providing quick access to products the customer is most likely interested in creates an efficient and enjoyable experience and gives customers a reason to return and see what's new. Just as traditional retail outlets, e-commerce websites offering directed specials to specific customers have been shown to increase purchase rates by simply inviting customers back. Even if they don't complete a purchase, more website visits can lead to more detailed data collection regarding site usage and related statistics and help further the e-personalization effort.

IMPROVEMENTS

No matter how effective an e-personalization effort is, there is always room for improvement. Better, more advanced technology, more insightful social and behavioral theories, and

marketing trends must all be considered around the clock to garner tangible, valuable results from e-personalization. To help determine the value of personalization (Saporito, 2001), companies should consider the type of questions presented in Table 2.

Table 2. Questions to Determine the Value of Personalization

<p>Technical Feasibility Questions</p> <ul style="list-style-type: none"> • Do you have a scalable web and analytic environment that allows for the immediate introduction of new products or content? • Does your current site invite a relationship? • Can you provide more customer interactivity via your site?
<p>Customer Relationship Management Specific Questions</p> <ul style="list-style-type: none"> • Do you want to know more about customers via your site? • Will you disappoint high value and long time customers if you treat them like “everybody else”? • Can you provide more personal self-service by streamlining processes and serving relevant content?

Perhaps more importantly, companies must ask if their competitors can answer these questions. As such, they should not only be considered prior to the e-personalization process, when cost is usually a factor, but also during and after the initial effort to identify areas for improvements and to gauge the effectiveness of the effort.

Questions similar to these must have been asked by the marketing directors of Hyatt before they enhanced their reservation website with personalization software (Callaghan, 2003). At the time, Hyatt’s website did not support online user profiles, so users had to re-type their reservation information upon each visit. By personalizing the site through the use of accounts, they were able to track user preferences and interests and make special e-mail offers based on that information, if so desired by the customer. Results of those initiatives could also be recorded and analyzed to determine the effectiveness of various marketing campaigns and improvements could be made accordingly. For Hyatt, e-personalization has shown a 20% increase in online registration and a 30% increase in gift certificate sales from the site, which has helped move them into a more competitive position. Part of the reason for Hyatt’s success is due to their use of accounts as a means to let users decide what they’re interested in seeing.

The key to lifecycle personalization is giving the customer control over their preferences to help reduce the amount of unnecessary or unwanted information they encounter. Some companies go so far as to let users determine what level of data that are gathered about them. This concept puts the responsibility of determining the level of

personalization in the hands of the customer thus, adding value, in the form of trust, to the e-commerce experience. In addition to lifecycle personalization, companies can resolve the problem of limiting information by providing alternate access methods to their content. Site maps and text searches are ideal ways to make content available to all customers without overwhelming them with unnecessary information. Again, this notion puts the customer back in control and gives them the best of both worlds.

Giving the customer control of their own information is key to maintaining the balance between personalization and invasion of privacy. Most companies that engage in e-commerce activities are aware of this and respect their customers’ rights but what happens when companies cross the line and violate this relationship? The Internet’s lack of boundaries or centralized legislation has made enforcing the relatively small number of privacy laws quite difficult in cases such as this. Hence, a number of grassroots social controls have emerged from newsgroups, bulletin boards and chat sites to help establish appropriate Internet behavior. By leveraging popular opinion, these groups add to the idea that the Internet is a self-regulating entity and one of the results has been the creation of ad-hoc organizations such as TRUSTe.

In 1998, the FTC alleged that GeoCities, a prominent hosting firm, had misled its customers with regards to the collection and use of personal information. The result of this action was the widespread adoption of clearly posted privacy policies as many companies followed the consent order set by the FTC. The FTC also forcibly shut

down a European website that solicited visitors to buy unusable Internet domain names after the terror attacks of September 11th in New York City in 2001. The site, operated by Quantum Management, successfully sold over 1 million dollars worth of .usa and .brit domain names to patriotic, yet unaware, consumers. Since any existing root domain servers in the world do not support .usa and .brit extensions, users began to complain and the FTC went into action. The FTC has also filed a suit through the U.S. District Court for the Northern District of Illinois, Eastern Division to stop deceptive e-mail spam activities, a separate claim in Oklahoma to stop an illegal "pyramid" scheme, and the organization is pursuing countless other privacy-related lawsuits. These cases, and others like them, exemplify the FTC's role in establishing a safe and secure channel for companies and consumers to conduct business.

The concept of how those consumers allocate their incomes to the purchase of goods and services is referred to as the consumer behavior theory. Furthermore, the theory indicates that consumers will choose a combination of goods that will maximize the satisfaction they can achieve, given a limited budget. Therefore, the paramount goal of any attempt to sway the consumer must involve maximizing each consumer's feeling of satisfaction. E-personalization aims to do just that by "individualizing" the online experience.

Individualization through e-personalization has the ability to both increase convenience and maximize product utility. First, by narrowing broad product offerings to only those of interest to a particular customer, e-personalization serves to expedite a customer's visit. This adds value to both the consumer and the company by reducing search costs (Kwak, 2001; Paik & Benatallah, 2002) and moving more products faster, respectively. Second, when companies dynamically offer discounted complimentary products at the time of checkout, thereby creating a product bundle, they maximize product utility. The idea of maximizing product utility through bundling appeals to the consumer's "more is better" belief.

Research has shown that the consumer's perceived convenience during the order process is correlated to their satisfaction and eventual adoption of e-commerce technology (Lee & Ahn, 2000). In this study, perceived convenience was measured in terms of ease of search, sufficiency of information and lower purchasing costs, among others. I believe that these measures hold true for e-personalization as well and by leveraging knowledge about the

consumer, an even greater degree of convenience (satisfaction) can be achieved. I also feel that as the technologies and theories that support e-personalization grow, so will its benefits.

One technology specification that might help consumers feel more comfortable when sharing information online is known as P3P or, the Platform for Privacy Preferences Project. This recent proposal aims to close the distance between personalization efforts based on personal information and consumers' willingness to provide that information. It works by summarizing a company's privacy policy and sending that information to a P3P compatible web browser. The browser then compares the site's summarized policy to a list of privacy settings that the user has already defined and, if they don't match, alerts the user of the inconsistencies. P3P has already been adopted in the latest versions of Microsoft's Internet Explorer and the World Wide Web Consortium (W3C) standards group hopes that P3P will become a widely used standard.

Another advancement in the world of e-personalization is that of improved Customer Relationship Management (CRM). CRM is a business strategy that strives to increase the value of the relationship to each customer. By utilizing e-personalization techniques, data regarding consumer behavior can be aggregated and analyzed to produce a clearer picture of the wants and needs of each individual. Since different customers have different needs, the company that knows what products to bring to the table will have created a strategic advantage.

FUTURE OF E-PERSONALIZATION

P3P and CRM are concepts that are in use today, but the most intriguing possibility for the future of e-personalization is the combining of personal data with solid-state advertising technology. This transformation will be equivalent to the dramatic changes to the American landscape after the introduction of roadside billboards at turn of the 20th century. The billboards of the future, though, instead of targeting everyone with the same static message, will be able to identify the passerby and display personalized multimedia content directly to them. This might seem far off, but even today, advertising systems are being developed that have the ability to send information directly to a wireless device, such as a Palm Pilot or cellular phone, with offers and specials intended to entice consumers into the store.

The in-store experience will also be electronically personalized as virtual assistants prompt customers to visit a kiosk where they can view and print a list of recommendations and even coupons based on their individual preferences. This concept would give the customer the ability to literally "help themselves" while freeing up staff to help others, thus providing a better experience to all shoppers. This type of scenario might work well if applied to the music industry. Customers could log on to a terminal, either in the store or online and, based on genre selections, be presented with a catalog of songs which could be used to create customized CDs. The customers' selections would be based on

data collected through the various e-personalization methodologies, but the whole experience would be personalized and driven by the individual. Perhaps more importantly, the whole experience would be private. Future companies will be able to see real benefits from e-personalization by applying the knowledge gained through e-commerce transactions to real-world advertising and maintaining the trust of their customers by ensuring privacy. To be truly successful though, companies will also need to provide better, more individualized experiences to each customer both online and in the traditional retail outlet.

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CONSUMER RESPONSE TO PRICE MATCHING GUARANTEES: SOME POSSIBLE MODERATING FACTORS

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ABSTRACT

I present propositions and a framework regarding the impact of price matching guarantees on consumer behavior. In particular, the time period for redemption and the reputation of the retailer are viewed as possible moderating effects on consumer response. This framework and the propositions are amenable to empirical investigation.

"Your Office Depot 100% Satisfaction Guarantee. If you're not satisfied with your purchase for any reason, return it with original packaging and receipt to any store, or call 1-800-GO-DEPOT (1-800-463-3768), within the applicable time period. See store or call for full details" (Office Depot FSI, Sunday, September 28, 2003).

INTRODUCTION

The use of price matching guarantees (PMGs) by marketers has been the focus of prior research (see, for example, Hviid and Shaffer 1999; Kunar-Kinney 2001; Kunar-Kinney and Walters 2003; Jain and Srivastava 2000; Srivastava and Lurie 2001). Marketers have used these types of promotional strategies to achieve various objectives, including getting consumers to reduce their search for lower prices (Jain and Srivastava 2000; Srivastava and Lurie 2001), influencing price expectations (Chatterjee, Heath, and Basuroy 2003), and building store patronage (Hviid and Shaffer 1999; Kunar-Kinney and Walters 2003). This stream of research has also suggested that price matching guarantees can, potentially, be viewed as a collusive practice that can result in increased market prices to consumers (see Edlin 1997). Chatterjee, Heath, and Basuroy (2003) found, however, that consumers preferred markets with PMGs to those that did not have PMGs and regarded them as competitive devices that actually reduce, rather than increase, prices.

Kunar-Kinney (2001) contended that there are three different formats that a price guarantee can take. These are: (a) price-matching guarantee, in which case the retailer offers to lower prices to meet or beat competitors' prices within a specified period after the purchase; this

is the most widely used price guarantee in the U.S; (b) low price guarantee, where the retailer offers to reimburse the price difference if the in-store retail price has been lowered within a specified period after the purchase; and (c) satisfaction guarantee, in which case the retailer offers to refund the whole price to the customer within a specified period after the purchase, if the customer is not satisfied with the purchase. The focus of this paper is on satisfaction guarantees, an example of which precedes the introduction to this paper. It is the least researched of these guarantees, and marketers and researchers can obtain additional insights regarding the efficacy of these types of promotional strategies by exploring the factors that moderate consumer response to them.

The aim, therefore, is to put forward propositions and a framework regarding the likely moderating effects of retailer reputation and the time period for redemption of a satisfaction guarantee on consumers' perceptions of the attractiveness of the satisfaction guarantee, their attitudes toward the retailer offering the guarantee, and their intentions to patronize the retailer offering the satisfaction guarantee. These propositions can then form the basis for empirical investigation.

The paper is organized as follows: First, we review the literature on cue diagnosticity and

company reputation, and from each of these reviews certain propositions are generated. Then, there is a short description of a possible empirical investigation of these propositions. The implications for retailers, in the event of validation of the propositions, are then discussed.

BACKGROUND

Cue Diagnosticity and Time Period for Redemption

The use to which consumers put various cues in their evaluations of different products has been the source of much research. Among the different cues that have been explored are: prices (Wheatley, Chiu, and Goldman 1981); brand name (Dodds, Monroe, and Grewal 1991); manufacturer reputation, retailer reputation, and product warranty (Boulding and Kirmani 1993; Purohit and Srivastava 2001), among others. The use of cues in product evaluations stems from the fact that, oftentimes, consumers do not know the true quality of competing products prior to product decision (Purohit and Srivastava 2001), or they do not have the time or the incentive to compare products thoroughly, prior to making purchase decisions (Dawar and Parker 1994).

Purohit and Srivastava (2001) make a distinction between high scope cues and low scope cues, which is relevant to the discussion of satisfaction guarantees. They argue that high scope cues “have evolved over time such that their valence cannot be changed instantaneously” (page 124). They cite retailer reputation and manufacturer reputation as being among these high scope cues. Low scope cues, on the other hand, are “transient in nature such that their valence can be changed relatively quickly and inexpensively” (page 125). Hence, a satisfaction guarantee would fall under the heading of low scope cues. They argue further that, since a low scope cue is not as diagnostic as a high scope cue, a high scope cue “enables” or “disables” a low scope cue by its valence.

A primary feature of a satisfaction guarantee is stated time period during which a consumer can return an item and qualify for a full refund of the purchase price of the item. For example, a consumer might have 14 days after a purchase within which time to return the product. Some satisfaction guarantee might extend to 30 days. Hence, the specified time period can be varied quickly and inexpensively, and would,

thus, be a low scope cue (Purohit and Srivastava 2001). What is the nature of the relationship between this low scope cue and consumers’ perceptions? There should be a positive relationship between the length of time available to the consumer to qualify for a full refund and the attractiveness of the satisfaction guarantee.

Prior research on PMGs and warranties support this notion. For example, Purohit and Srivastava (2001) varied the warranty coverage on an item to see how that interacted with store reputation and manufacturer reputation to influence consumers’ responses. In their study, they indicated that, on average, warranty coverage for computers—their focal product—was 12 months. Then, in one condition (poor warranty condition), participants were told that the manufacturer’s warranty was 4-months parts and labor. In the other condition (good warranty condition), participants were told that the manufacturer’s warranty was 24-months parts and labor. The manipulation check revealed that the 24-month warranty was adjudged to be better than other manufacturer’s warranty, and a test of their hypothesis also supported their prediction that, when a reputable manufacturer sold its products directly, then the better warranty led to higher quality perceptions.

In the case of a satisfaction guarantee, then, it seems reasonable to expect that consumers would perceive a longer time period for redemption more favorably than a shorter time period. This means that they will have more positive, as against, negative, reactions to this cue. They are also likely to perceive it as being of more value to them, given the additional time to make a decision regarding the return of an item. These perceptions are related to the degree of attractiveness of the satisfaction guarantee.

Based on the foregoing discussion, the following propositions are made:

P1a. There is a positive relationship between the time period for redemption of a satisfaction guarantee and consumers’ perceptions of the attractiveness of a satisfaction guarantee.

P1b. There is a direct and positive relationship between time period for redemption of a satisfaction guarantee and patronage intentions.

Another expectation is that the perception of the attractiveness of a satisfaction guarantee will have a direct impact on consumers’ perceptions of the retailer offering the satisfaction guarantee. In the case of a

specific brand for which the offer is extended, a direct effect is also expected. This is embodied in the following proposition.

P2. Perceptions of the attractiveness of a satisfaction guarantee have a positive impact on consumers' attitude toward the retailer offering the satisfaction guarantee.

Prior research has also suggested a link between attitudes and intentions (see, for example, Zeithaml 1988). A similar link between attitude toward the retailer offering a satisfaction guarantee and intentions to patronize that retailer is expected.

P3. There is a positive relationship between attitude toward the retailer offering a satisfaction guarantee and patronage intentions.

Company Reputation

The issue of company reputation and its impact on consumers' attitudes and perceptions has been explored by a number of marketing researchers (see, for example, Yoon, Guffey, and Kijewski 1993 for a summary of the roles of company reputation in product/service markets and in channel relations). Much of this body of research points to the fact that company reputation—be it a retailer, manufacturer, or service provider—is an important factor in marketing environments (Dawar and Parker 1994; Purohit and Srivastava 2001). Yoon, et al. (1993), for example, tested the proposition that a company's reputation and its service offering information collectively determine a buyer's expectations. They found evidence to support the view that a buyer's response to a service is consistent with his/her attitude toward the vendor's reputation. Raj (1985) suggested that favorable reputations are likely to yield stronger and more resilient market share positions; and Anderson and Weitz (1989) found evidence that, in dyadic channel relations, a manufacturer's reputation enhances distributors' trust and loyalty.

The fact is that reputation may be used as a cue by consumers in their assessment of companies, in the absence, or presence, of other cues. Many researchers have shown that in the absence of knowledge about the true quality of goods and services, consumers may rely on certain cues to aid their decisions (Dawar and Parker 1994; Purohit and Srivastava 2001; Rao and Monroe 1988; Zeithaml 1988). We believe that company reputation is one such cue. In fact,

Purohit and Srivastava (2001) argue that, "Because reputation is a characteristic that evolves over time and considerable investment is required to establish a positive valence, we posit that manufacturer reputation and retailer reputation are high-scope cues" (page 125). They define high-scope cues as those cues that can be characterized as "cues that evolve over time such that their valence cannot be changed instantaneously; rather, to change the valence of a high-scope cue, particularly from negative to positive, considerable investments in both time and money are required" (page 125). Hence, the expectation is that company reputation would be a diagnostic cue, given its high-scope nature.

Consumer Use of Negative Information

Ahluwalia, Burnkrant, and Unnava (2000) opined that, although there is a lot of negative information about brands and companies available to consumers, little research has looked at the appraisal and use of negative information by consumers. They posited the negativity effect, that is, the case of consumers, and people, in general, placing more weight on negative information, as against positive information, when they have to form judgments about brands, people, companies, and so on. This effect had been explored in previous research in psychology, particularly in the area of impression formation (for example, Skowronski and Carlston, 1989), as well as in product evaluation contexts (see, for example, Herr, Kardes, and Kim, 1991). Ahluwalia et al. (2001) conducted a series of studies that indicated that consumer commitment to a brand, a construct they viewed as "akin to brand loyalty" (page 204), moderated negative information effects.

Other market researchers have also pointed to asymmetric effects of positive and negative information (for example, Taylor 1991): Negative experiences are more elaborated upon than positive experiences, and, according to Raghubir and Corfman (1999), "people search more for negative (versus positive) information when making judgments, and they weight this information more heavily because they find it more diagnostic than positive information" (page 213)

Given the above discussion regarding company reputation and consumer use of negative information, the expectation is that, in terms of perceptions of a satisfaction guarantee, a company with a positive reputation that is

offering a satisfaction guarantee will fare better than a company that has a negative reputation and which also offers a satisfaction guarantee.

P4. There is a positive relationship between retailer reputation and consumers' perceptions of the attractiveness of a satisfaction guarantee.

On the basis of prior research, the expectation is that retailer reputation will also directly impact attitude toward the retailer (Lafferty and Goldsmith 1999; Purohit and Srivastava 2001, for example). There is also likely to be an indirect impact via the relationship between retailer reputation and perceptions of the attractiveness of a satisfaction guarantee.

P5a. There is a positive and direct relationship between retailer reputation and attitude toward the retailer.

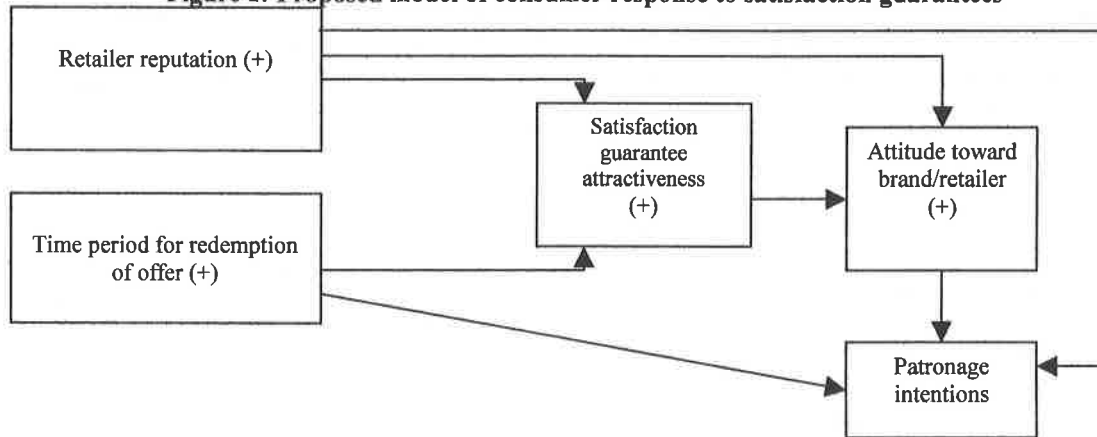
P5b. Retailer reputation also impacts attitude toward the retailer indirectly through its impact on perceptions of the attractiveness of the satisfaction guarantee.

On the basis of prior research also, another expectation is a relationship between retailer reputation and patronage intentions (see, for example, Lafferty and Goldsmith 1999).

P6. There is a positive and direct relationship between retailer reputation and patronage intentions.

The expectations discussed above are captured graphically in Figure 1.

Figure 1: Proposed model of consumer response to satisfaction guarantees



PROPOSED STUDY

The propositions generated above can form the basis for empirical investigation. A basic study would involve a 3 (time period for redemption of satisfaction guarantee: 7 days vs. 14 days vs. 30 days) x 2 (retailer reputation: positive vs. negative) between subjects experimental design. Hence, there would be 6 experimental conditions, involving the mix of the two manipulated variables. Data can be gathered from diverse audiences, including student and non-student samples, especially for comparative purposes. Measures of the dependent variables are available in the

marketing literature, and path analysis and structural equations modeling could be used to test the proposed relationships.

IMPLICATIONS OF VALIDATED PROPOSITIONS

The validation of the propositions outlined above would have marketing implications and the way retailer manage promotional offers such as satisfaction guarantees. A low scope cue such as the time period for the redemption of a satisfaction guarantee can be changed relatively quickly and inexpensively. Hence, findings that the longer

the time period for a redemption the more favorable consumers are could provide information for marketers to tailor their satisfaction guarantees. Additional research might be necessary to determine limits of this feature of a satisfaction guarantee and whether it might differ across product categories.

In the case of high scope cues such as retailer reputation, such a cue cannot be changed as easily. Nonetheless, it does not mean that marketers need ignore this cue in developing their promotional strategies. It may be the case, for example, that retailers with negative reputations may fare better when they provide more extended time periods for redemption of satisfaction guarantees than might a retailer with a positive reputation. Hence, there is some possible asymmetry in the case of consumers' perceptions and attitudes: Retailers with negative reputations benefit more from extended satisfaction guarantees than do companies with positive reputations. This is open to empirical investigation. On the converse, it may be the

case that consumers favor companies that have positive reputations, regardless of the presence of low scope cues.

Obviously, there are also research implications. Additional research could look at other low scope cues such as the amount of the refund, the stores at which it is available (for example, can it be obtained at any store in the chain, or must the consumer return the product to the store at which it was bought), as well as whether a satisfaction guarantee is combined with any other promotion. In the latter case, a perusal of the free standing insert from which the introductory satisfaction guarantee was taken indicated that the company was also offering to give back 5% of consumers' receipts to designated schools. These, in conjunction with other high scope cues such as the type of retailer (specialty versus mass merchandiser, for example) and individual difference factors (for example, consumer skepticism), can form the bases for extensive research on satisfaction guarantees.

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GENDER DIFFERENCES IN AD IRRITATION: IMPLICATIONS FOR MARKET SEGMENTATION

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ABSTRACT

Gender differences in information processing have been researched extensively in the marketing literature. The current study attempts to extend that stream of research and incorporates gender differences in perceived ad irritation as a means of market segmentation. 125 student subjects were shown five non-comparative television advertisements that are likely to cause irritation to the viewers. A survey was used to collect data on prior brand attitudes, ad irritation, ad credibility, ad-induced positive and negative feelings, attitude toward the advertiser, attitude toward advertising, and post-exposure brand attitudes. The data were analyzed to answer the following research questions:

1. Given that the executions of advertising strategies are controllable, can the level of ad irritation be used to segment the viewers?
2. If so, do we need to account for gender differences in information processing?

An ANOVA indicated that for two of the five advertisements, there was a significant difference in perceived ad irritation between men and women. Cross tabulations indicated a significant association between gender and frequency of ad exposures for three of the five advertisements. Consequently, the determinants of brand attitudes were identified by stepwise regressions conducted separately for male and female viewers who saw these advertisements for the very first time. The results indicated that gender differences in the processing of ad irritation are significant for gender segmentation. Based on the findings, several directions for future research were proposed.

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HOW DO CONSUMERS PROCESS DTC ADVERTISING?

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ABSTRACT

Researchers have a never-ending debate on whether the DTC advertisements help or hurt consumers. On the positive side, the patients become better informed of prescriptions that could help their condition through DTC commercials or websites. On the negative side, the DTC ads can get consumers, with no pre-existing symptoms, to influence the doctor to prescribe the advertised brands. The author reviewed marketing literature, and the following propositions were developed.

The literature suggests that involvement plays a major role in consumers' attention and comprehension process (Celsi and Olson 1988). If the consumers can retain and infer the most important information presented in the ads, the ads can be considered adequately comprehensible (Morris et al. 1998). A consumer with low level of involvement will read information on DTC printed ads from only the main-body copy, ignore the fine print, and often miscomprehend the information of the DTC printed ads. On the other hand, a consumer with high level of involvement is expected to read both the main body copy and the FDA-required fine print.

P1: A consumer's level of involvement will be associated with the level of the DTC ads' comprehension.

In additions, Researchers suggest that consumers with higher socioeconomic status tend to acquire information faster than the lower status segments (Tichenor et al. 1970). Consumers with higher education and more income appear to be more knowledgeable about health information than the poor and less educated (Dervin 1980, Gaziano 1983). Also, the consumers with lower education and income tend to have limited access to the more information-rich print media (Dervin 1980).

P2: A consumer's socioeconomic status will be associated with his/her efficiency of information processing of DTC ads.

Morris et al. (1985 and 1989) examined how variations in the risks disclosed in DTC advertising affected consumers' awareness and knowledge of those risks. The results indicate that risk disclosures produce greater risk awareness and knowledge. However, the advertising literature suggests that there is no difference in consumers' perception of advertisement informativeness or product feature awareness when a two-side message (one which contain both positive and negative features) is used compared to an advertisement with only a one-side message (Earl and Pride 1980). Also, adding information about side effects is found to be more trustworthy to consumers (Goetzl 2000).

P3: A fair balance between adverse effects and effectiveness will be associated with the level of a prescription drug's awareness.

The purpose of this paper is to develop a better understanding of how consumers process DTC advertising and how pharmaceutical companies could communicate more effectively with potential consumers, thereby eliminating the adverse effects of DTC advertising. Finally, the author also suggests a method to test the proposed relationships.

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SOME THOUGHTS ON FACILITATING THE DEVELOPMENT OF MORAL MARKETING MANAGERS

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ABSTRACT

This paper aims to share my teaching experience of using Natural Law approach and the Virtue Ethics approach in facilitating the development of moral marketing managers. Students' character development is being facilitated through various activities grounded on the principles of collaborative learning, service learning, and critical research.

INTRODUCTION

I have taught marketing subjects at the college for more than nine years, and for the past two years at a Christian college. I found merely conducting moral case studies is not the best way to facilitate the development of students as moral marketing managers who possess these character traits such as prudence, fairness, courage, and temperance. Walton (1988: 178-181) advocates that good character possess four qualities: prudence, fairness, courage, temperance. "Prudence involves two capacities: (1) the ability to make correct assessments of opportunities and (2) the capacity to evaluate accurately likely consequences." Fairness means respect of others in carrying out responsibilities. Courage is "the ability to face danger and the capacity to sustain actions". Temperance means "careful budgeting of all resources—financial, physical, and human—in order to make the organizations continually viable in serving human needs." The case method approach in teaching business ethics highly values the thinking process at the expense of the content, virtuous attitude, and conduct of students (MacIntyre, 1984). Students' interpretation of different cases and their response to different moral dilemmas are highly affected by "who they are". Without helping them to discover themselves in many moral case studies, educators cannot develop their character traits properly.

I have adopted a Natural Law approach (i.e., to be aware of the laws written on our hearts cannot be denied and to know our self-destructive behavior when we suppress our conscience) and the Virtue Ethics approach (i.e., to develop habits to achieve the fundamental goods that natural laws require a person

to pursue) are more effective means to cultivate moral marketing managers.

NATURAL LAW APPROACH AND VIRTUE ETHICS APPROACH

Natural law approach means that human beings can use their own abilities to reason in making innate ethical knowledge more clearly known to themselves. They can also know what moral principles that can be fulfilled and flourish humanity and social communities. "Natural law is bound up with the concept of the dignity of man, and with the experience of humankind ever since the beginnings of social community" (Kirk, 1994). Thomas Aquinas claims that the primary principle of natural law and the fundamental moral principle is to do good and avoid evil. He assures that human beings can develop habitual actions to acquire certain virtues by using naturally possessed principles of knowledge (Ref. Summa Theologiae I-II). The acquired virtues (i.e., virtues acquired by human effort) can achieve common good of human beings (Inglis, 1999). They are prudence, temperance, fortitude, and justice.

C.S. Lewis (1944) identified "Tao" (i.e., universal moral principles) shared by all human beings of different culture and different civilization. C.S. Lewis illustrates the "Tao" from various culture, religion and philosophical traditions in the Appendix of his book, "The Abolition of Man." There are eight major natural laws: The Law of General Beneficence; The Law of Special Beneficence; Duties to Parents, Elders, Ancestors; Duties to Children and Posterity; the Law of Justice; the Law of Good Faith and Veracity; the Law of Mercy; the Law of Magnanimity. Human beings are discovered to

treasure similar common character traits such as kindness, honesty, courage, empathy, respect, and justice. Aquinas and Lewis both affirm that natural laws cannot be abolished from the heart of human beings as these natural laws are written on our hearts and cannot be denied by our deep rational conscience (i.e., Aquinas called it as a "Synderesis"). If individuals suppress their "Synderesis" and violate the natural law, they tend to destroy themselves and violate the common good of human nature (Budziszewski, 2003).

Virtue ethics approach is concerned with the "moral enlightenment, moral character, and the good for mankind rather than with resolving dilemmas" (McCracken, Martin & Shaw, 1998). The focus is cultivating and developing a person's character traits through practicing particular actions, witnessing and imitating good behavior in a community setting (Murphy 1999). Virtue ethics approach is concerned with the development of a whole person, not on a particular decision or rules of decision (McCracken, Martin & Shaw, 1998; Murphy 1999). It posits a set of ideals to which individuals aspire (Meara, Schmidt and Day, 1996). It inspires a person to seek the ideals. It holds much promise for guiding the behavior of marketers (William and Murphy, 1990; Murphy, 1999; Thompson, 2002). Teachers and students practicing virtue ethics tend to pay more attention to role models and self-transcendence. A teacher's whole being is confronted by students as teacher's behavior will be examined in the light of ideals in the classroom. Thus, self-transcendence of teachers would "imply to overcome defaults or claims grounding the necessity of business ethics courses" (Dion, 2000).

A Natural Law approach can serve as a simpler and more robust basis than other approaches such as value clarification for business professionals (Velasquez and Brady, 1997). Steven Mintz (1996) quotes Sommers' critique of value clarification method of moral education as a way to lead students to a moral relativism. To choose the approach of teaching ethics, he supports Sommers' idea of "directive moral education" that actively engages the teacher in fostering the moral betterment of students by stimulating their moral sensibilities. Natural Law affirms the existence of absolute goodness in our humanity and the Divine Power behind our Moral Law, thus business decision makers ought to obey the first principle of doing good and avoiding evil. By following the first principle of the Natural Law, they can quickly eliminate any alternative that is against the Moral Law.

The Natural law approach enables students to be aware of the natural principles of knowledge and virtues that they possess given the fact of being human. It also gives them some philosophical and ethical ground to do good and not to merely follow some simple ethical guidelines such as T.V. test or significant other tests that are widely suggested by many marketing textbooks. Patricia O'Connor and Susan H. Godar (1999) criticize that the two ethical guidelines, the TV and significant other tests in basic Management textbooks, have nothing to do with ethics and systematically mislead students what ethics is and about how to think through ethical decisions. The Virtue Ethics approach encourages students to acquire certain virtues and address the integration of personal ethics and professional ethics. When students can internalize virtues such as moral courage, empathy, and a pro-active attitude towards community in their education, they may be more trusted to become moral marketing managers because they are cultivated to possess the traits of prudence, fairness, courage, and temperance in a learning community.

PEDAGOGICAL STRATEGIES

The first step I took in developing various pedagogical strategies is to help students to know the laws written on their hearts and inspire them to cultivate virtues involved my perceived need to question myself about my faith, my most important values and those moral principles I practice. I have to be aware of being a model demonstrating virtues of prudence, fairness, temperance, and courage in the classroom.

During the past two years, I have attended Faith and Learning seminar, various philosophy and business ethics courses, and attended a 6 weeks Natural Law seminar at another college. I have incorporated my previous learning and some literature about teaching ethics in redesigning the pedagogical strategies I use when I teach basic Marketing and Consumer Behavior to undergraduates; and Marketing Management to graduates during the current Fall 2003 term.

Moral character development is the desired product to be continually cultivated during this semester. The basic strategy is to increase students' awareness of common good character traits in a human community. Their moral character development is being facilitated through various activities grounded on the principles of collaborative learning, service learning, mentor relationships and real life stories' sharing. Beginning with discussion

of character traits of their admired managers and good friends, I help them to accept the fact that there are certain common character traits described as good in the society. Through the discussion and small group assignments, they are frequently reminded to examine any inconsistency between their virtuous attitude, their commitment to certain virtues, and any way they may suppress their conscience. As I read their numerous self-reflection assignments and listen their discussion in many collaborative settings, I am able to assist them in synthesizing their experience and assist them to realize that they ought to be moral given they are human beings. It is important for students to be encouraged to grow and to uphold the natural laws and virtues that they have already possessed.

Another strategy is critical research of our market economy system and the ethical marketing practices of particular companies. Through critical analysis of our assumptions of our capitalistic system and the virtue and vices of companies' marketing practices, students are encouraged to identify and analyze the importance of virtues in sustaining our social and economic system. As students gradually accept natural laws and virtue ethics, I will invite them a variety of sources to gain additional depth and breath of their understanding.

For undergraduate Basic Marketing course, the first assignment is designed to help students discover who they are through reading articles, self-reflection, and self-projection. From their first assignment, most are inspired to cultivate these virtues including integrity, fairness, trust, respect and empathy and perceive themselves as people with high moral standards. Later, I show them a short video case about pricing decision of an Alzheimer drug and challenge them to think about what is good business and what is the meaning of "business is business". I also ask them whether pornography and child pornography is a good business. The discussion can create different levels of dissonance among students and push them to think why they care for the development of children but not for the development of adults. I also give them some consumer ethics and business ethics scenario and ask them to judge which are morally acceptable and which are morally unacceptable. I discuss with them these controversial cases and lead them to realize business is a relationship among many stakeholders and many moral virtues have to be interpreted in the context. I encourage them to imagine and define many expected social norms and obligations in the social exchange relationships. Students are required to do group ethical marketing issue analysis and case studies.

They learn how to examine companies' code of conducts and solve marketing problems. The group exercises reinforce their learning and values expressed in different companies' code of conducts. They gradually learn these written human laws in companies' code of conducts and the relationships between human laws and natural laws. After they have been involved in many group activities and presentations, they are required to reflect their moral character development, spiritual development at the end of the course and rethink what virtues and character traits they need to cultivate in the coming five years in their final individual learning paper.

Before students take undergraduate Consumer Behavior course, they have taken basic Marketing, Ethics and Introduction to Philosophy courses. Students are required to examine the relationships between their consumption behavior and moral character, the relationships between materialism and well-being, their moral reasoning of buying product made by child labor, and their ideals in their first assignment. Basically, students are enlightened to know self-control as a kind of moral virtue leading to their well-being through reflecting upon any of their materialistic consumption behavior. In addition, I help them to examine their moral reasoning regarding using products made by child labor. These activities lead to discovery of any incoherence between their ascribed moral virtues and their moral reasoning regarding child labor. Collaborative learning experience allows these business students to discuss the child labor issues with students coming from different discipline including Political Science, Social Worker, and Psychology. The experience can cultivate their empathy towards children's development, discover the universal rights of children by Natural Law approach, and exercise more inclusive sense of stewardship in a global economy. Their development of pro-active attitude towards the solidarity of a community is through the study of consumption behavior of disadvantage group and provision of better marketing programs for these undeserved customers. In a supportive, trusting and sharing learning environment, students are asked to reflect upon their changes in their consumption behavior and their attitude toward their community in their final reflection paper.

The students in graduate Marketing Management course are working adults. They are generally more mature than undergraduates and have had more in-depth experiences and opportunity for thought on their moral character and their future. The first assignment is designed to help students to

examine how personal conscience, laws and corporate policies, supervisors' behavior, and market structure affect their business decision. Most affirm that personal conscience has played significant role in their business decision. They expect their companies to walk their talk and respect them as human beings. However, they do not show strong faith in companies' written laws and some even perceive that their personal ethical standard is much higher than their companies' ones. I discuss with them about their inclination to do good, the literature about moral managers (Walton, 1988; Calian, 1992), the concept of Natural Law, and the concept of revenge conscience directly. I share with them my teaching philosophy and pedagogical strategies. They appreciate the design of the course and most are motivated to examine their moral character development in their reflection paper. In addition, I develop many small group exercises for them to learn from each other and create a learning community. The collaborative learning leads them to appreciate different perspectives, to practice empathy, and to develop pro-active attitude of developing a good learning community. The practices reinforce their ideals that they are seeking. They are continuously asked to relate moral character of decision-makers and current theories of marketing management. They are also asked to serve the community through the development of a marketing plan and the examination of various perspectives about work, stewardship, poverty and materialism.

CONCLUSION

As a marketing educator, I realize that it can be very demanding to integrate the Natural Law and Virtue Ethics approach within marketing subjects.

Just like other marketing educators, I have to finish tremendous content materials within a short span of time and uphold the required academic competence. What value do I place on encouraging students to reflect upon being ethical? In order to avoid students being hypocrite, I need to confront some students' skeptical moral beliefs (i.e., emotivism, ethical egoism). It will be a challenge for students to be aware of naturally known moral principles.

There are difficulties and limitations in any approach. I found that the Natural Law and Virtue Ethics approach in facilitating the development of moral marketing managers to be a viable alternative. The application of the Natural Law requires to distinguish which principles are naturally possessed by human beings. This challenges teachers and students to have courage to face their own true self. I want to use Kreeft's (1994) words to be foundational to the approach.

If we believe that the thing we are fighting to preserve, namely, the knowledge of the natural law in the heart of man, is indestructible and guaranteed eventual victory, we will fight joyfully and effectively and confidently (Kreeft, 1994, p. 128).

I am working on helping students to discover the natural laws in their heart. I invite and encourage you to consider the possibilities of using the Natural Law and Virtue Ethics approach in facilitating the development of future moral marketing managers.

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ISO 14000 CERTIFICATION: REVOLUTION, EVOLUTION, OR BUST?

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ABSTRACT

This article serves as a primer on ISO 14000 certification and the social responsibility issues that accompany this process. It also explores the pros and cons of securing the certification and its potential implications for strategic planning and the development of sustainable competitive advantage.

BACKGROUND, HISTORY AND PURPOSE

Established in 1947 and headquartered in Geneva, the International Organization for Standardization (ISO, from the Greek isos, meaning "equal") is a non-governmental organization dedicated to the promotion of standardization and related activities in international businesses such as the exchange of goods and services (cf., www.iso.org). ISO was originally established in response to the need for harmonized technical standards in different countries or trade blocks, which can reduce or eliminate what are known as technical barriers to trade. The push for international standardization is the result of several circumstances finally gelling together. First, modern free-market economies are increasingly encouraging the diversification of assorted sources of supply designed in part to provide opportunities for expanding markets (Borkowski 2002). In addition, fair competition needs to be based on clearly defined common reference standards that can be recognized from region to region. Industry-wide standards which are universally recognized and are developed by consensus among trading partners can serve as a common language of trade.

Second, no major industry in today's world can be considered to be completely independent of components that have been developed in other sectors. Here standardization serves to bring all of the disparate parts of interdependent industries under one standardization umbrella and makes the integration process more streamlined and effective.

Standardization plays a crucial role in the development of completely new fields, such as advanced materials application, environmental management, urbanization, and construction. With emerging technologies, standardized applications can develop functional prototypes and play a defining role

in the accumulation of databases of quantitative information that can be a crucial component in further advancing these technologies. Many nations are beginning to recognize that standardization programs are basic conditions for economic policies aimed at achieving sustained development (Livingston 2003). The creation of such programs is essential for improving productivity, competitiveness, and expanded export capability. As a result, ISO standards are becoming more and more important to developing countries over time, primarily because these countries are the ones who have both the most to gain and the most to lose with regards to becoming (for all practical intents and purposes) globally certified in industrial and service standards. Consensus agreements with regards to standardization that are reached between all players in a particular industry such as suppliers, users, and government nicely compliment the above mentioned points in that trade, exchange, and technology transfers help to improve numerous sectors of a specific country's infrastructure. These areas include enhanced product quality and reliability, improved health, safety and environmental protection, greater compatibility of goods and services, reduction of operative costs, increased distribution efficiency, and much more. The most recent ISO effort to promote sustainability in these areas is the 14000 series, which focuses on responsible and sustainable environmental management standards.

ISO 14000 SERIES: HOW IT WORKS AND WHAT IT ACCOMPLISHES

Since its introduction in 1996-97 the ISO 14000 series has not been without controversy, and has even led to a modification of the ISO 9000 series in order to improve the compatibility and practicality in their combined implementation. In short, the ISO 14000 series encourages companies and governments to "think globally, act locally".

The ISO 14000 standards are designed to be guidelines to be used by any company immaterial of size and locale, to develop a quality environmental management system (EMS). Part one, ISO 14001, is the actual management system while part two, ISO 14004, is the guiding principles and supporting techniques. The ISO 14001 model is an integrated EMS consisting of six main components (www.iso.org; Murray 1999):

1. The 14040 series life cycle assessment, which contains a description of the expected environmental performance of products and is expected to prioritize the environmental aspects of a particular industry,
2. the 14062 series, which serves as a template for the integration of environmental considerations into design and development of facilities, and which is expected to lead to an improvement in the environmental performance of products,
3. the 14020 series, which is designed to give information about the specific environmental aspects of production,
4. the 14063 series, which contains communications regarding overall environmental performance,
5. the 14030 series, which monitors and evaluates environmental performance of specific individual organizations, and
6. the 14011 series, which monitors system performance through regular auditing and gives information about the performance of a given EMS.

These individual components act as a whole to give entities seeking ISO 14000 certification a standardized four-pronged (acting, planning, checking, and doing) plan of attack. Successful implementation of ISO 14000 accomplishes the major goal of having in place an environmental monitoring system that is the global industry standard, a standard that focuses on a policy with several key requirements. First, it forwards a commitment to comply with all applicable laws and regulations, not as a substitute to but as a compliment to national laws and regulations. Second, ISO 14000 forwards a commitment towards the prevention of pollution using a broad definition so as to offer companies and nations flexibility in interpreting the kinds of pollution control methods that they can use to fulfill these requirements. Last, and perhaps the most critical, ISO 14000 institutes a commitment to a system of continuous improvement of the already implemented management system. This last key requirement is important in that it recognizes that

management techniques and systems will need to constantly evolve over time to improve environmental performance on multiple levels.

This process is complex and involved. Companies and governments in the developed world regularly struggle to comply in a comprehensive way with implementation of such exacting standards, so it stands to reason that less developed nations would have an even harder time engaging in the process.

STRATEGY FORMULATION AND ISO 14000

To many multinationals ISO certification is valuable as a way to overcome the trade barriers that may hamper the ability to compete effectively in a global marketplace (Raiborn, Joyner and Logan 1999). The 14000 series requires that an organization's environmental policy reflect a commitment to compliance with relevant economic legislation and regulation, to pollution prevention, and to continual improvement. The EMS required by the ISO 14000 standards must not only reflect the organization's mission, goals and objectives, values, and culture, but need to be fully integrated to the overall management information and control systems and other support systems. The bottom line is that the EMS will be required to provide information on standards and permit levels, waste transactions and emissions, and risk (compliance, summary, exception and trend reports). Because of this, it must integrate the organization's strategic planning process, commitment to environmental social responsibility, and internal core competencies to help the organization achieve competitive advantage (Raiborn, Joyner and Logan 1999). This, however, must be something more than a slogan; the EMS should provide be a source of differentiation such that an opportunity for sustainable competitive advantage is forwarded.

CONCERNS AND POTENTIAL PITFALLS ASSOCIATED WITH ISO 14000

Basically, ISO 14000 marries environmental management to business management. The benefits to this union are multiple, such as the increase in the use of voluntary standards, which will make future trade groups and agreements such as the proposed Free Trade Area of the Americas (FTAA) easier to negotiate. Other significant benefits exist, such as the elimination of multiple standards and government adoption of ISO or ISO-inspired standards, and more will become apparent over time as globalization and the interdependence of business needs between different geographic regions continues to increase,

but numerous concerns do exist. There are three practical issues that appear to be the most serious deterrents to entities that might want to adopt the ISO 14000 (Wilson 2001).

The cost issue - It costs money to certify a company, to make the necessary changes to become compliant to ISO standards. In general, the implementation of an EMS is considered an additional and unnecessary cost that will negatively impact a company's profitability (Wilson 2001). The problem here is that roughly 75- 90% of businesses in most countries are known as small to medium-sized enterprises (SMEs) employing less than 100 employees, and to these companies the cost of certification may be more than they can afford to pay, especially in the case of companies that exist in less developed countries.

As an example of the cost issue, there was a study conducted in North Carolina, USA, where it was calculated that ISO 9000/14000 training and certification carried an average cost of \$30,000 to \$750,000 (Mittelstaedt, Harben and Ward 2003). It was further determined that no companies with 20 or less employees opted to obtain this certification due to the relative cost of the process, and that only a small percentage of companies with greater than 20 but less than 100 employees engaged in the certification process. This was the case in the United States, where certification is more expensive than in most other nations of the world, but on a relative costs basis this type of size to critical mass relationship with regards to ISO certification is a big issue globally strongly linked to economies of scale, which obviously favors larger firms. This suggests fairly strongly that global standardization favors larger firms that can more easily absorb the costs of ISO certification over small firms that cannot easily absorb these costs, and could make cost of certification an effective trade barrier to many smaller firms.

Non-tariff barriers to trade - ISO 14000 certification and implementation itself can end up being a barrier to trade. In fact, in a rapidly globalizing world, the "voluntary" label attached to ISO certification is fairly rapidly disappearing for countries that want to participate in global business on any scale. The reality is that for companies who wish to do business globally, ISO certification is voluntary only in theory and without it they are discouraged from doing business with other entities that are already certified. Since the number of ISO 9000 and ISO 14000 quality and environmental management certificates issued grows annually by

roughly 25% and 61% respectively (Quality Progress 2002), the pool of entities NOT certified or pursuing certification shrinks by a corresponding amount every year, which means that companies that do not "voluntarily" proceed with certification will be shut out of the global marketplace in a few years. It seems like "voluntary" with a knife in the back to me.

ISO 14000 certification was designed to facilitate trade and minimize trade barriers by leveling the playing field, but the process could have some unintended consequences, such as the imposition of the requirements and management systems of advanced industrialized nations on developing countries, some of which these countries might not have the knowledge or resources to meet. This type of inequality could lead to a lessening of enthusiasm for global standardization in general and would definitely lead to a feeling among the less developed participants that ISO certification is yet another example of the developed world imposing its will on countries or regions that it considers inferior to its own. This is most likely not true. I am sure that the vast majority of the participants in the ISO certification process on both sides truly want only to have a consistent and universal system of management in place to make global business easier, but this perceived inequality between haves and have-nots could serve as an unintended nontariff barrier to trade.

Another way that ISO might unwittingly serve as a trade barrier is when companies or agencies who seek accreditation find that there is a lack of infrastructure within their own countries designed to register their accreditation. This would require companies in such countries to seek registrations from appropriate agencies in other countries, again driving up costs and creating yet another barrier to trade.

Certification might not lead to better environmental performance - This can be a very touchy issue, since the whole purpose of ISO 14000 certification and system application is the reduction of pollution, but the simple fact is that it doesn't always have that kind of impact (Murray 1999). ISO 14000 sets no minimum regulatory standards, which means that companies deal with the environment as a management issue instead of as a set of rules dictated by the local government agency responsible for such matters. This leads the ISO 14000 approach to deal with local legal environmental compliance regulations as the bare minimum accepted level while constantly striving to improve upon them. The hope behind this approach is that this more pro-active

approach to environmental management will payoff for the company in many ways, such as cost savings, lowered legal liability, and a positive public image, but things do not always work out that way. This absence of set goals other than local compliance can often lead to just the bare minimum being managed and a lack of innovation when looking at the future of the management system, especially in developing countries where environmental management is often in its infancy and where local regulations are laxly enforced or not enforced at all.

CONCLUSIONS AND SUGGESTIONS FOR THE FUTURE

Without a doubt the debate will rage on over the future value of ISO 14000 certification for years to come. Numerous points not covered in this paper will also be crucial to the discussions, such as the ISO 9000/9001 revision designed to be more compatible with the 14000 series, the evolution of international standards in the face of globalization and the relative importance of the two when balanced against the formation of hemispheric (FTAA) trade blocks in the not too distant future, and much more. All is not lost, however, and several conclusions can be reached based on what was discussed above.

First and foremost it can be safely said that the ISO 14000 movement is both revolutionary and evolutionary. It is revolutionary in that it is the first globally oriented EMS designed to be implemented in a practical fashion in every corner of the globe. Despite its detractors, the 14000 series is the standardization world's version of penicillin, something groundbreaking that will change forever how management practices will be viewed. But while doing this, the 14000 series is also evolutionary in that it is the logical next controlled step to take ISO past the 9000 series, which is concerned primarily with the management and standardization of quality, and to integrate the 9000 series with this next logical step: management of your local environment in a quite new way while still applying many of the previously accepted practices to the new ones.

This overlap of management systems is a

natural progression that will continue to evolve over time and will run more smoothly as a routine in the future, when experience with the application of these new standards will make the process of certification less cumbersome and expensive. Globalization is not an easy process free of both short-term and long-term issues, and the issue of ISO certification certainly qualifies as a long-term issue, but it is probably one of the most constructive subjects with which a company would have to deal. Having a good solid base in these standardized quality and EMSs will have countries and industries well prepared to deal with changes to these systems as the complexity of the world around us changes, which helps the less developed trade partners of the world catch up to the developed world by virtue of the shared experience of practicing the same management techniques.

A very striking issue when considering the pros and cons of ISO certification is the impact on small and medium sized businesses, especially those in developing economies. For every article you read in business news journals about how the Swedish maritime industry was awarded ISO 14001 certification and subsequently was able to cut sulphur emissions by 2%, there are probably a dozen instances of small factory owners in the developing world who struggle to get certified because they fear that not doing so may mean they will be out of business in 5 years (Lloyd's List International 2002). The future successes of businesses in the developing world are as important to the relevance and continued success of the International Organization for Standardization as is the success of Exxon or Sony.

It is the responsibility of the ISO to determine a way to make the certification process more equitable to all participants, especially when looking at ways to make it easier and/or less expensive on a relative basis for marginal businesses to obtain the certification. The ISO says much about the benefits of certification in the developing world, but unless a more equitable way of certifying the poorest countries is found, both in terms of cost and in eliminating non-tariff barriers, those benefits could end up being a bust.

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THE ETHICAL DILEMMAS OF COMMUNICATING A UNIVERSITY'S JOB PLACEMENT RATE: LEGAL OBLIGATION OR MORAL RESPONSIBILITY?

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ABSTRACT

The purpose of this research is to investigate one area of ethical concern in higher education, specifically, the reporting of job placement rates. The research discovered such dramatic variations in the way job placement rates were calculated and reported that most job placement data become suspect. The ethical concerns of reporting job placement data are discussed in relationship to institutional policies and practices and student expectations.

INTRODUCTION

Ethical practices in higher education --- at least on the surface, appear to be at the forefront of current professional dialogue. In the February 14, 1990 issue of *The Chronicle of Higher Education*, the chancellor of Southern Illinois University proclaimed that "ethics" may be replacing "assessment" as the priority for those who want to attract attention in higher education. By March 7, 1990, in *The Chronicle of Higher Education*, an education professor at Wayne State University pointed out that academics are more than willing to study ethical dilemmas of other professions, but self-examination is not as forthcoming. By July 11, 1990, *The Chronicle of Higher Education* was reporting that the morality of presidents, provost, and deans sets the institution's ethical tone, all the while acknowledging the alleged academic ethical violations of accepting pay-offs, nepotism with pay raises, and sexual relations with students (Rothberg, 1990).

Proceed forward twelve years to the July 3, 2002 issue of *The Chronicle Daily News* that exclaims "a majority of college students graduate without learning to distinguish between right and wrong." Students apparently are taught that "what is right or wrong depends on the differences in individual values and cultural diversity." A follow-up or "point of view" article by De Russy (2003) appearing in the September 19, 2003 issue of *The Chronicle of Higher Education* suggests that higher education officials are renewing their emphasis in

building ethical values in students by examining the ethical standards and integrity of the academe itself.

For many years, higher education has concerned itself with building character, establishing honor codes, and developing policies of academic integrity. The best example of this can be found in Templeton's Guide to Colleges that encourages character development (1999). The John Templeton Foundation praises institutions for establishing programs that develop the ethical practices involved in developing students' character. It is predicated on the student's moral development. Yet, given this brief overview of what universities are providing for students---honor codes, alcohol awareness programs, freshman year experiences---the ethical challenges in higher education are beginning to shift away from the student, and onto the institution.

BACKGROUND

The book, *Academic Ethics*, by Hamilton (2002) describes how higher education officials and their entrusted professionals should agree to maintain high standards, restrain self-interest, and promote public service. Candace De Russy, (2003), cites several examples of behaviors that academe members should avoid---showing favoritism, improper use of funds, personal plagiarism and inappropriate sexual liaisons, for example. De Russy extended her concept of ethical behavior to include the responsibilities of the board of trustees. Specifically, De Russy stressed that the trustees should make

ethics a living tradition. However, with all this new-found emphasis on the policies and practices of ethical institutions, why the continued plethora of “ethical” research involving student behavior?

McCabe, et.al. (2001) reviewed a decade of research on cheating in academic institutions. The author concluded that several forms of cheating have continued to increase over the past ten years, perpetuating an ominous trend that has intensified over the past thirty-years. Whitley and Keith-Spiegel (2001) agreed in principle with the previous issues related to the student research on academic integrity. They stress the need to develop a campus-wide ethos that encourages ethical practice by focusing on integrity. The research has continued and there are now thousands of articles or essays on ethical character issues and integrity development for students. However, there remains a paucity of research on the ethical practices of administrators employed in institutions of higher education. This helps to explain why in the July 11, 2003, issue of *The Chronicle of Higher Education*, Jon W. Fuller, a 30 year advocate for private colleges and senior fellow at the National Association of Independent Colleges and Universities opines there “is a higher level of mistrust of higher education than I have ever witnessed.”

PROBLEM

The purpose of this research is to examine one area that should be a priority to university officials interested in securing and maintaining the public trust. Specifically, this research will focus on the published employment rates of recent college graduates. This pertinent piece of data is used in marketing and is quite often one of the first questions asked by parents and students alike when exploring college choice. In fact, this information is required by educational law to be reported. Moreover, there are sections within the law that describe how the job placement rates can be misrepresented (U.S. Department of Education, 2002).

This “mundane” topic was chosen to illustrate how ethical dilemmas, no matter how small or trivial, can manifest themselves in the policies and procedures carried out by university officials. Since most institutions voluntarily report employment data or “placement rates” and others are mandated by federal statute, i.e., they accept federal monies, there should be no ethical problems, dilemmas, concerns or conflicts related to reporting. Moreover, published “placement rates” not only appear with a high degree of frequency in marketing brochures and university

Web Sites, but they also appear in the professional literature. Baldwin (2000) reported on the departmental placement rates of a community college in Florida. In addition, Seppanen (1994) reported to the Washington State Board for Community and Technical Colleges the published job-related outcomes for graduates. The policy to report placement rates for some colleges may even be driven by internal mandates. Strict guidelines are established that set “appropriate” job placement rates, as in the example of South Texas Community College, which requires a standard of 85% placement rate of all graduates.

This renewed and intensified internal and external emphasis on job placement rates following graduation necessitates a focus on two general research questions. First, are university officials publishing their job placement data, and second, are university officials publishing the same data as it relates to job placement? Of critical interest is the collection and analysis of job placement data. Specifically, five questions or issues of concern are examined:

1. Who is responsible for collecting the job placement data?
2. What kind of job placement data are collected?
3. When are job placement data collected?
4. Where are the job placement data collected?
5. How are the job placement data tabulated and analyzed?

To summarize, this research addresses two areas of interest, driven by internal pressures (e.g. university standards) and external (e.g. U.S. Department of Education) influences. Two research questions, stated as null-hypotheses follow:

- H1: There is no significant difference among universities with respect to reporting job placement data;
- H2: There is no significant difference among universities with respect to gathering, analyzing, and reporting job placement data.

METHODOLOGY

For illustrative purposes, an ethical conflict is given meaning via an operational definition offered by Chonko and Hunt (1985). They stated that "an ethical conflict occurs when people perceive that duties toward one group are inconsistent with their duties and responsibilities toward some other group (including one's self)." Ethical conflicts in this study derive from the process of a university reporting job placement data with parental reliance and expectations pertaining to the reported job placement data. For clarity and renewed emphasis, substitute the word "public" for "parent" and it becomes painfully clear that we are addressing one of the principal issues thought to be fostering public distrust of colleges and universities.

The study design and methodology are pragmatic and heuristic, not rigorous, according to most academic researchers. The nature of this study called for a more qualitative and humanistic approach to data collection. Specifically, the university participants were solicited through multiple electronic list-serves. The respondents were asked to discuss how they collected job placement data. For reasons of parsimony, we asked the participants to describe briefly the "who, what, when, where and how" questions in relationship to data collection and analysis.

Participants on the list-serve were college counselors/centers, career center directors and institutional researchers. For clarification, as academicians, we were more interested in establishing "quality control" measures in reporting placement data than detecting differences. All findings that will be discussed are serendipitous. Simply stated, this project started out as a practical way to ensure a standard practice and process of obtaining and reporting job placement data for a single university. However, what we found was a "minor" ethical dilemma confronting all institutions of higher education.

FINDINGS

Seventy-nine university officials replied via electronic-mail to an opened-ended questionnaire with five specific questions related to collecting and reporting job placement data. Fifty-eight percent of the participants were from private institutions. Fifteen percent of the participants were from a vocational or two-year community college and the remaining participants were from a public 4-year

university or college. Fourteen states were represented.

The first research question examined if there was a significant difference between universities with respect to reporting job placement data. No significance was found. For clarification, all 79 respondents indicated that they report job placement data. Moreover, from anecdotal, self-reported information obtained, the respondents indicated that this information was disseminated through their Web Site, the intranet, promotional materials, and eventually released to private publishers like Kaplan College Catalog.

The second research question addressed the process and procedures associated with the collection, analysis, and reporting of job placement data among universities. Five questions were the focus of inquiry: *Who* is responsible for collecting the job placement data? *What* kind of job placement data are collected? *When* are job placement data collected? *Where* are the job placement data collected? And *How* are the job placement data tabulated and analyzed? No predominant or standard process was found among university officials when it came to answering the "who, what, when, where and how questions" relevant to collecting, analyzing, and reporting job placement data.

When addressing the official responsible for collecting job placement data [who], 8% of the participants stated that staff, administrators, specific departments, or centers were often assigned the yearly task of coordinating the data collection. It appears that 27% of career centers were responsible for this task. Alumni offices and departments of institutional research, when combined, made up 31% of those responsible for collecting the placement data. However, 34% of the participants did not know exactly who was responsible or how the placement data were collected. From anecdotal responses, many respondents stated that they felt understaffed or ill-prepared to complete such a project.

When addressing [what] kind of job placement the student had obtained following graduation, 70% of the participants ask only if their recent graduates were employed, citing no specific job title. Another 16% asked their recent graduates if they were employed or in graduate school; 9% asked their recent graduates if they were employed in their major field; and 5% asked their recent graduates if they were even looking for employment. Moreover, 48% of the participants asked their recent graduates if their employment was full or part time. In anecdotal

responses, all liberal arts, 4-year private or 4-year public institutions were hesitant to give job placement data by department. However, it appears that all vocational, technical or community colleges provide such data.

When addressing the time frame of collecting data [when], 10% of the participants collected all job placement data at the time of graduation. Another 55% collected this information within six months of graduation. The remaining 35% gave a global answer best described as somewhere between the time of commencement and one year following graduation. From anecdotal responses, some respondents use an LAG survey approach (Life-After-Graduation), which is the sending of a survey one year following graduation and then again to the class that has been graduated for five years.

When addressing [where] the data were obtained, 56% of the participants stated only at commencement (survey or post card) collected from the student; 10% used a Web-based survey, collected from the student. The remaining 34% employed various combinations of the following: phone, letters, e-mail surveys or pencil and paper surveys collected from the student. Moreover, 31% of the participants resorted to asking faculty or staff members if they knew where or if their graduates were employed. Faculty or staff involvement seems to occur when no reply was obtained from the student. From anecdotal responses, most respondents felt uneasy using "secondary-source data" for analysis. However, many participants reported feeling "pressured" to either increase their "response rate" or "job placement percentage."

When addressing the method of analysis, that is, [how] the data were tabulated, five general methods were found. Sixty-six percent of the participants only used data from those who participated. For example, if 100 people completed a survey, and 95 people stated that they were employed, the job placement rate for the class of 700 was 95%. Three percent used the number of those stating employment in relationship to the entire graduating class. For example, if 70 people turned in a survey stating that they were employed, the job placement rate for that class of 700 was 10%. Another 4% of the participants used the combined outcome of employed or in graduate school to determine job placement rate. Two percent of the participants used only selective departments within the university and used the total number of potential participants. For example, if 100 surveys were mailed – and 90 were returned, the job placement rate

for the class of 700 was 90%. Twenty-five percent of those responding had no idea [how] the data were tabulated. They "assumed" data were available on every graduate. Anecdotal comments strongly suggested that respondents "aren't exactly sure how to calculate the job placement rate."

Also, remember as reported earlier, that 31% of the participants resorted to asking faculty members or staff if they knew where or if their graduates were employed. This response was tallied "as if" a student had actually replied, although it does not appear that faculty or staff were asked to respond "if" they knew that a recent graduate was not employed. Further, anecdotal data and comments from 54% of the participants suggested a pressure to report high placement numbers because "parents expect to hear such." In addition, several participants alluded to, or referred to, other universities employing innovative interactive Web-sites that collect post-graduation data. In the end, 68% openly reported that they were severely understaffed to effectively collect and analyze the job placement data.

DISCUSSION

It is apparent that the majority of universities report their job placement rate. However, what does that job placement rate really mean? The definition varies and is subject to interpretation. It should be documented that all participants felt uneasy about the reporting of such job placement data and its meaning. Every respondent, either explicitly or implicitly, suggested that gathering such job placement information is cumbersome, time consuming, and an exhaustive exercise. Virtually every career center official exclaimed that they are diligent in collecting this data and reporting it accurately. However, once it leaves their office, they have little or no control over accuracy, interpretation, or disclaimers.

Throughout this research project, it was apparent that many respondents had ethical or moral concerns when "discussing" the reporting of job placement data. For instance, what does a job placement rate really mean? To the university, it means fulfilling the letter of the law. However, to the individual, it is the spirit behind the law that is important. Herein lies the ethical conflict. Do we as officials representing colleges and universities report what is required by law or do we address what the parents and students rightfully wish to know? Right or wrong, parents and students view the job placement rate as one indication of institutional quality. It could reduce the amount of cognitive

dissonance often experienced when making a choice to attend one university over another. Moreover, it could offer that sense of psychological security in knowing or hoping that college will be "worth it" in the end. In the final analysis, there may be several personal associations or implications assigned to a university's job placement rate. The only thing for certain, given the findings in this research, is that no -- or at least very few universities, could be legitimately compared with each other by using job placement data.

It is easy to discuss the ethical implications of a university official participating in, knowing about, or accepting a pay-off, nepotism, athletic recruiting violations, or inappropriate sexual relations with students. However, it is difficult to accept the ethical responsibility involved with the "mundane" issues. We, as members of institutions of higher education, tend to focus on the big, complicated new ideas confronting the world. But what about those simple acts of omission or commission, like forgetting or choosing not to publish or release job placement rates, or "manipulating" job placement rates that reflect favorably on your institution, and not the realities of graduation?

As an interesting ancillary point to this study, when did liberal arts colleges or 4-year public and private universities begin to feel the need to exaggerate their job placement rates? Do they not recognize that a quick glance at a college Guide Book that highlights the percentage of students entering graduate school per institution may reflect a glaring discrepancy? For example, how can you have 98% securing a job placement while 35% are entering graduate school? Some numbers simply don't add up. Also, many vocational and community colleges offer job placement data but fail to correct for, or even mention the number of students already working while pursuing their degree or remaining at their job

following graduation. All this discrepancy makes one suspicious.

Perhaps institutions of higher education would benefit from the lessons and processes adapted by other for-profit institutions. For example, Murphy and Lacznik, (1981), identified several areas in marketing ethics where research was needed and the process explained. They, as researchers, specifically asked individual marketing managers what their ethical concerns were. To date, no such question has been asked of career counseling centers or the professionals responsible for reporting job placement rates for universities. It may be easier not to ask such an ethical question if you are fearful of the moral answer.

SUMMARY

This research suggests that ethical issues in higher education manifest themselves in many forms. Some ethical issues are obvious and others are not so clear. The need for institutions of higher education to be the vehicle for great understanding, vision and ethical discernment is evident. Colleges do more than provide an educational opportunity or job placement, they build character and integrity, be it the person, the citizen, or the nation.

This study lacks the sophistication of a "tight or highly structured" statistical design. However, given the lack of empirical research in this field, it is reasonable to offer this study as exploratory research. Given that most of the ethical research appears to use case scenarios, this applied research is unique in assessing a current, real ethical concern. In the end, many "little" concerns could have been offered as an ethical issue for higher education, but those are future studies.

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THE CHANGING ROLE AND RESPONSIBILITY OF A CHIEF MARKETING EXECUTIVE (CME) AT THE CORPORATE AND BUSINESS UNIT LEVELS

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ABSTRACT

This paper, based on an exploratory study conducted by the author, probes the changing nature of the role of the chief marketing executive (CME). Specifically, the role of corporate level CMEs is declining while that of the business unit CMEs is increasing in general by managing both sales and marketing activities.

INTRODUCTION

The marketing function has undergone a significant change in response to the changes in the marketplace caused by global competition, new technologies and deregulation. As the marketing function changes, so does the role and responsibility of the head of marketing, that is, chief marketing executive (CME). One of the first studies on a CME was conducted by Hopkins and Bailey (1971). Later, Piercy (1986) studied the role of a CME of manufacturing companies in the UK. The two studies are not comparable in terms of the sample frame, company size, and country. Given the paucity of the research on the subject, however, they provided a basis on the subject for this paper.

The purpose of this paper is to 'revisit' the CME's role and responsibility in today's setting, in particular, at the corporate versus business unit levels. The literature review plus an exploratory study conducted by the author will lead to several propositions on the CME's role and responsibility in today's marketplace.

LITERATURE ON CHIEF MARKETING EXECUTIVE (CME)

Marketing organization has been researched well while this has not been the case with the CME's role (Workman, et. al. 1998; Tull, et. al. 1991). It may have been tacitly assumed that a CME is merely a head of the marketing organization rather than a head of the marketing function. The author, however, suspects this parallel logic may not hold true, because marketing activities have increasingly dispersed throughout an enterprise, and his sphere of influence may encompass throughout an enterprise far beyond

the marketing organization (Day 1997; Webster 1992). A corporate CME, for instance, heads the corporate marketing department and also holds a strong-dotted line responsibility for other marketing activities such as an enterprise product portfolio management for which the business development department is directly charged.

Hopkins and Bailey (1971) defined a CME as an executive who reports directly to the CEO, president or chairman of the board, or to the general manager of his division if he works at the business unit. This paper adopts the CME definition as is. The findings of the Hopkins-Bailey study were that the CME's role differs significantly at the corporate level in a multi-division company versus at the business unit level. The corporate CME, mostly a staff function, serves as a marketing service, advisory and control agency. A business unit CME, on the other hand, is in large part responsible for more marketing operational activities such as sales, marketing mix decisions, and customer service management. The study further found the frustration that corporate CMEs often feel because of a lack of direct line control. The Hopkins-Bailey study was based on a sample of companies that were members of the Conference Board. Two-thirds of the members were manufacturing companies while the rest were service companies.

The Piercy (1986) study identified five major responsibility categories for the CME – selling; product policy; marketing services; corporate strategy and physical distribution. Another key finding in this study was that the corporate CME's responsibilities were largely participative and shared at the corporate level. Full and sole responsibility was claimed in only about half the cases for advertising, sales promotion,

marketing research, and marketing staffing and training. The findings suggest that the corporate position of marketing was weak in many of the companies studied in terms of the integration of marketing functions and specialist personnel into the marketing organization.

Key findings in the two studies on the CME were very similar in that a corporate CME is charged with a strategic and wide spectrum of responsibilities, yet his responsibilities are largely participative and shared. On the other hand, a business level CME is in large part deeply embedded in the business unit operations, and often is charged for product-market strategy, although the business unit CME's responsibility varies widely in scope and depth.

EXPLORATORY STUDY

To identify the CME's role in the current environment, the author conducted in-depth interviews with ten CMEs where four were interviewed in person and the remaining six were interviewed over the phone in the winter and spring of 2003. Five CMEs are at the corporate level and the remaining five at the business unit level. Four CMEs are in the fortune 1000 corporations and the other six are in mid-size corporations below the Fortune 1000 ranking. The interviews lasted anywhere from a half hour to an hour, using a semi-structured interview guide.

All ten interviewees come from manufacturing companies that range from diversified machinery to industrial automation to medical packaging companies. Due to the nature of the exploratory study, the sampling was a convenience sample in terms of accessibility to marketing executives. Twenty-three firms were initially contacted from the Hoover's Online Corporate database with diverse firm size and sub-sectors evenly spread within the manufacturing industry. Ten of the 23 firms contacted accepted the author's request to interview their CMEs. The manufacturing industry was selected primarily because the previous two studies used it (Hopkins & Bailey, 1971; Piercy, 1986).

PROPOSITIONS ON CME'S ROLE AND RESPONSIBILITIES

As the marketplace becomes more competitive, the market-orientation as corporate culture is recognized as a strategic imperative. This in turn has lent support for marketing planning by someone like a corporate CME (Jaworski & Kohli

1993). Market-orientation has become one of the key guiding principles of modern corporations (Day 1999). Marketing has been embraced by a wider range of functions within an enterprise, as the importance of the market-oriented philosophy is clearly recognized for survival and growth in today's highly competitive global marketplace (Narver and Slater, 1990; Moorman & Rust, 1999).

Ironically, however, as the philosophy of the market-orientation permeates throughout an enterprise, marketing becomes less visible as a function (Deshpande & Farley, 1999; Webster 1992; Piercy 1998). This is because many activities that were traditionally considered as marketing are now performed in many cases by organizations that do not bear the marketing name. Today more activity- or value-descriptive names are often used such as distributor management in the industrial companies and yield management for pricing in the airline industry. Among the reasons cited for such dispersion of marketing activities are efficiency, span of control limitations, economy, tradition and personality issues (Narver and Slater, 1990). Hence, there are two opposite crosscurrents. On one hand, marketing has become a more strategic function because of the need for market-orientation for survival and growth. On the other hand, marketing activities are dispersed, which result in the reduced visibility of the marketing function. Given the cross-currents, one would expect the role of a CME, especially a corporate CME to differ widely among different firms. Hence,

Proposition 1: The corporate CME's role varies widely in that the some corporate CMEs are responsible via a strong-dotted line for all marketing activities carried out by organizations beyond his own organization while other corporate CMEs cede their power to others.

Despite the widely differing role of corporate CMEs in today's setting, the past two studies found a common role for corporate CMEs. The study by Hopkins-Bailey (1971) found that marketing planning was the role of 95% of CMEs in non-divisionalized companies and the role of 88% of CMEs in companies with marketing heads at both corporate and business unit levels. Similarly, marketing planning was found as one of the top CME responsibilities by Piercy (1986). Further, the exploratory study observed the importance of the CME's role to drive and coordinate marketing planning among key stakeholders. A corporate CME of a medium-size manufacturer stated on this point:

“My company has three divisions, and their heads are really driven to make their quarterly numbers – you might say, a number-driven approach. Sometimes, that drive may blind their sales managers on potential business opportunities to be found in different business units of the same customer.”

With the dispersion of marketing activities, someone or some entity needs to coordinate disparate activities into a cohesive whole so that the enterprise creates optimum customer propositions for customer’s consumption experience from its beginning to the end. Organization theorists long recognized the coordinating entity designated as ‘organization’s integrators,’ including a dedicated full-time integration manager, along with co-location of people from different functions; cross-functional team; technology; and process management (Lawrence & Lorsch, 1969; Daft, 2001). Certainly, the corporate CME appears to be qualified as one of the dedicated, key ‘integrators.’

With increasing dispersion of marketing activities, the role of strategy and planning integration are more pronounced, and at the same time, corporate CMEs have a reduced role as a marketing service provider. That the corporate CME’s marketing service role is reduced could be explained by the effective deployment of technology so that marketing specialists would neither have to be located in the corporate marketing group nor report to a corporate CME. Hence,

Proposition 2: A corporate CME in a firm with multiple business units is held responsible for marketing planning and coordination as one of the most critical charges.

Proposition 3: A corporate CME’s responsibility for marketing services such as market research, advertising and marketing training declines due to the virtual group of marketing service specialists enabled by technology.

The literature reviewed in this paper noted significant differences in the responsibilities of the CME at corporate versus business unit levels. Contrary to the corporate CME, a business unit CME was found often responsible for marketing, sales, and even customer service operations. A business unit CME interviewed by the author stated:

“It makes sense to put sales and marketing in one organization, for they in essence achieve the same goal – the only difference could be that marketing takes a more strategic, long-term view of the market while sales takes a more short-term, tactical view of accounts. But remember there is no such thing as ‘market,’ rather the market consists of customers.”

The exploratory study clearly points to the trend that both the sales and marketing functions increasingly get closer into a unified ‘marketing-and-sales’ function. The function may report to a business unit CME or a sales executive. It should be noted that the marketing function is defined to include sales activities, although a marketing organization is separate from sales organization in many companies (Drucker, 1973). The fact that marketing’s strategic thrust has been shifting from the transaction to relationship-orientation reinforces the rise of the sales function relative to the marketing function (Piercy, 1998). In addition, the coalescence of marketing and sales at the business unit level was evident in the exploratory study as well. One business unit CME remarked that:

“My job is to make my numbers but at the same time to strategize for longer term business development for my division. That means I get involved in things like product development, new market identification and distributor network management. It’s a delicate balancing act. It was a difficult job at first, but now I love the challenge.”

The coalescence of the marketing and sales functions at the business unit level may not necessarily imply merging them, rather it means tighter coupling of their activities, regardless of the organizational structure. Hence,

Proposition 4a: The business unit CME increasingly is a driver for the marketing and sales operations, regardless of the sales function’s reporting relationship.

Proposition 4b: The business unit CME is increasingly held responsible for short-term sales development as well as longer term business development such as product strategy, new market penetration, and strategic partnership development, regardless of the sales function’s reporting relationship.

CONCLUSIONS

Marketing as a function has been tossed in the midst of cross-currents for some time in terms of its role as one of the critical components in a company's value-chain. Wider acceptance of the market-orientation resulted in the dispersion of marketing activities. The role of the corporate CME has become a marketing activity integrator and he plays less of a role as a marketing service provider while that of the business unit CME is increasingly

charged with both sales and marketing responsibilities. In such a changing landscape of marketing function, certainly the CME's role has changed as well. This paper presented propositions based on an exploratory study, a part of a larger study, along with the literature on the marketing organization, marketing-orientation, and the CME's role. The real challenge for the business unit CME is how to create synergy between them. This presents a fertile ground for future research for both academicians and practitioners.

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THE EFFECT OF BEHAVIORS AND ATTITUDES ON SALES PERFORMANCE WITHIN THE OFFICE PRODUCTS INDUSTRY: DOES A SELF FOCUSED DRIVE LEAD TO MORE SALES?

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ABSTRACT

The purpose of this study is to examine the effect of particular behaviors and attitudes that can affect "why" salespeople behave as they do. The results demonstrate that higher income salespeople exhibit higher levels of a dominance behavior and more individualistic and utilitarian attitudes than their lower income counterparts

INTRODUCTION

The purpose of this study is to examine the effect of particular behaviors as defined by the DISC research tool and the impact of specific attitudes that different salespeople gravitated towards. Do salespeople on two ends of the income strata possess different attitudes and exhibit different types of behavior when working with buyers? The research investigates the responses of over 500 office products dealer salespeople.

LITERATURE REVIEW

The existing literature with regards to the behaviors shown and attitudes held by salespeople, indicate a strong association between goal oriented – role clarity perspectives and sales performance. As the studies indicate, on the whole salespeople who were focused on goal achievement in the context of specific activities experienced higher sales results. Conversely, a lack of role clarity or goals led to lower levels of sales.

In an examination of industrial salespeople Bagozzi (1980) found that salespeople who placed a high value on their own job outcomes, such as sales results, they also experienced a higher level of satisfaction when they received compensation for such effort. Sujan, et al, (1994) found that the degree of personal self-confidence of salespeople's overall sales abilities accentuated the likelihood of being more goal oriented.

Goal attainment focus was positively related to the emotions that salespeople had with their

outcomes as demonstrated by Brown, et al (1997). Separately, the act of implementing goal directed behavior alone was associated with having positive emotions of their outcomes. In contrast, "emotional exhaustion" of salespeople took place when role ambiguity was present. Emotional exhaustion was also related to lower levels of sales performance and enhanced intention to leave consequences (Babakus, 1999). According to Bagozzi (1978), if sales managers want to enhance the satisfaction of salespeople, they would benefit from reducing role conflict that may exist in the sales position.

Brown et al, (1993) discovered that those salespeople who possessed "feelings of success" fueled both positive attitudes toward their job and actual sales performance. In addition, Brown et al, (1998) found a relationship in salespeople between trait competitiveness and goal setting. The more competitive the organizational climate the salesperson worked in, the higher the goals set. Low competitive sales traits resulted in low goals being set regardless of organizational climate.

In a study of 672 commissioned salespeople (MacKenzie et al, 1998) both sales performance and job attitudes mediated the association between role perceptions and turnover. A positive attitude toward a given specific sales role can increase sales results and lower the desire to voluntarily leave an organization.

According to Teas (1981), the act of "initiating structure," being pro-active in moving the sales process forward helps to develop the motivation of the salesperson. Relatedly, in a sample of

insurance salespeople Boorum, et al (1998) determined that salespeople who were most willing to engage in communication interactions better facilitated the sales process and increased their sales performance.

DESCRIPTIONS OF THE BEHAVIORS AND ATTITUDES IN THIS CURRENT STUDY

In the assessment, we examined four different types of behaviors and six different forms of attitudes.

Behaviors

The four behaviors are called DISC. *DISC is the universal language of observable human behavior. DISC is the language of "how we act," or our behavior. Research has consistently shown that behavioral characteristics can be grouped together into four quadrants, or styles* (Bonnstetter et al, 2001, Marston, 1928, 1979). All people, including salespeople, exhibit these four behavior styles to varying degrees:

1. **Dominance:** Ambitious, Forceful, Decisive, Direct
2. **Influence:** Expressive, Enthusiastic, Friendly, Demonstrative
3. **Steadiness:** Passive, Steady, Understanding, Complacent
4. **Compliance:** Analytical, Methodical, Systematic, Exacting

People who demonstrate a high amount of dominance in their behavior tend to be competitive, daring, decisive, direct, persistent and self-starter. Salespeople who exhibit influence behaviors are charming, convincing, enthusiastic, persuasive and trusting. Those showing high levels of steadiness behaviors are amiable, friendly, good listeners, stable, sincere and a team player. The compliance behavior is demonstrated by being analytical, a fact-finder, having high standards, patient and precise.

Attitudes

Whereas behaviors are more observable and tell us HOW a person behaves and performs, attitudes help to tell us WHY people do things. Attitudes provides mental rules for what motivates us and in turn affect the behaviors that we are most likely to engage in. In this study we examined the impact of six different attitudes (Spranger, 1966).

The six attitudes are:

1. **Theoretical:** Pursuit of knowledge, identifying truth and untruth.
2. **Utilitarian:** Utilizing resources to accomplish results.
3. **Aesthetic:** Appreciation and striving for form, harmony, beauty and balance.
4. **Social:** Having a real concern for others, seeking to make things better.
5. **Individualistic:** Highly goal oriented, with a strong desire to achieve.
6. **Traditional:** Principled, wanting to do the right thing, very consistent.

Salespeople that possess a theoretical attitude prefer to do a good amount of research before they make a decision on how to solve their problems. Those with a theoretical view continually like to learn new things and spend time with others who do as well. Sometimes salespeople that have a high theoretical will wait to take action until they feel they have all the information needed to make a decision. Those with a utilitarian attitude are very practical and are motivated to satisfy needs. Utilitarian oriented salespeople accept accountability and seek a significant amount of return on investment for their effort. Salespeople who have aesthetic attitudes are sensitive to their own feelings and the feelings of others. Aesthetic salespeople are very subjective and tend to reject and avoid that which causes personal pain or disharmony. They have an appreciation of all impressions and seek fulfillment and balance.

A social type of attitude is viewed as having a real concern for others in a difficult situation. In fact, to the extreme, people with social attitudes actually believe they have the need to take responsibility for the lives of others. Those with social attitudes want to make the world a better place. The fifth attitude in this study is called individualistic. Salespeople with an individualistic attitude set goals and actively seek to have their goals achieved. They like to lead and influence others and move their position forward. The last attitude we examined is called traditional. Salespeople with traditional attitudes are very committed to their principles. In addition, they are very consistent in the implementation of their principles. They view actions as either right or wrong with no gray in between. While they will sacrifice to hold on to their belief, traditional oriented salespeople may also be resistant to change and not willing to try new solutions to solve customer problems (Spranger, 1966).

RESULTS OF THE STUDY

The authors of the study had the opportunity to conduct a worldwide sales effectiveness research study within the office products industry. The findings that we are going to share with you in this report are the result of a combined effort between Target Training International (TTI), OPI Magazine, and Maximum Performance Group (MPG). Sales professionals from all over the world responded to an Internet based assessment survey. For their participation, each respondent received a 25-page report discussing their own personal sales behaviors.

TTI provided the survey instrument and collected the data. OPI promoted the survey in multiple issues of the magazine and at several industry conferences.

A total of 838 sales professionals completed the survey. Out of the 838 sales professionals, 552 of them were office product dealer salespeople. This particular article focuses on those 552 office products dealer salespeople. Our objective in performing the research study was to determine if there was a direct association between the behaviors and attitudes of salespeople and their own sales performance.

TABLE One
Respondent Demographics of the 552 Office Products Dealer Salespeople

Years in Sales	0-1 17.8%	1-2 7.8%	2-5 8.7%	5-10 15.2%	10-20 24.8%	20+ 25.4%
Your Education	High School 27.9%	College Associates Degree 23.6%	College Bachelors Degree 23.0%	College Bachelors degree Plus CE 13.2%	College Masters Degree 11.8%	College Doctorate Degree .4%
Types of Selling Market	Office Products Only 24.8%	Office Products and Furniture 70.3%	Furniture Only 4.4%			
Number of Sales Jobs you have held in last 10 years	1 40.4%	2 38.6%	3 12.3%	4 5.6%	5 or greater 3.1%	
Type of Compensation	Salary 31.3%	Commission 23.6%	Both Salary and Commission 43.4%			
Your Average Annual Income	\$30,000 or less 25.4%	\$31,000 to \$50,000 32.4%	\$51,000 to \$75,000 18.3%	\$76,000 to \$100,000 11.4%	Greater than \$100,000 12.5%	
What phrase would you associate with your selling career?	I love it. I eat, drink and sleep my career. 14.1%	It's very exciting. I like it a lot. 24.1%	It's challenging. I like it okay. 28.8%	It's not bad but I'm a little bored. 4.0%	I hate it. .7%	

After completing the demographic survey above, each sales professional responded to 84 assessment questions and statements. Their responses to the survey gave us insights into particular behaviors and attitudes. All of the information was treated in a highly confidential manner. Survey result information was not available or compiled for individual sales professionals.

Examining the Differences Between Higher and Lower Income Levels

In this study we specifically wanted to compare top performers (as measured by income) to salespeople who are making less money than most of the respondents. It was our objective to determine if the particular behaviors and attitudes that salespeople have could explain the differences in income. For this reason, of the 552 office product salespeople surveyed, we compared those people making \$30,000 or less to those making \$76,000 or more. A total of 25% of the respondents (140 salespeople) reported that their annual income was \$30,000 or less. A total of 132 (24% of the salespeople) had an annual income of \$76,000 or more.

Do behaviors and attitudes salespeople possess actually affect the money they make?

Behaviors

Of the four behaviors examined, the most commonly exhibited one is influence by both salespeople with either higher or lower incomes. In fact, those with lower incomes indicated they used influence behaviors 3% more than higher income salespeople (just slightly more) did. A difference of 3% is not statistically significant. The data suggests that basically all salespeople attempt to influence buyers to making a purchase decision. This suggests that salespeople need to influence buyers in order to not only succeed, but to survive. If all salespeople

exhibit influence behavior to convince their prospects to become customers, what differentiates the top salespeople from those who have yet to achieve the success they want? The key lies in the other behaviors and attitudes that this study captures.

The remaining three behaviors explain a great deal as to why top performers are on top of their game, and why others are not yet. Top performers (those earning \$76,000 and more) reported to exhibit dominance behaviors 45% more frequently than their counterparts making \$30,000 or less. Put another way, top performers are driven to succeed. They are self-motivated and they stay motivated through the tough times. They are willing to make specific recommendations for their clients and are direct in how they solve their customer's problems and their solutions are pro-active if not daring.

In contrast, those making less than \$30,000 exhibit noticeably higher levels of steadiness (23% higher) and compliance (17% higher) behaviors. These results indicate that salespeople with lower incomes that while they are friendly and sincere, they tend to be more resistant to change and less willing to try new approaches. They typically suffer more from analysis paralysis. This suggests those making less than \$30,000 want to be precise and perfect in their decision making before taking action. An underlying reason for this type of hesitancy is that lower income salespeople may have more difficulty dealing with sales rejection from prospects than the top performers.

Consider a salesperson's behavior from a client's point of view. What do clients want most? They want the best solution to their problem(s). The results indicate that top performers focus on how to solve their customer's problems in a very clear and direct manner. However, lower performing salespeople may be more concerned with how they are viewed by the buyer rather than concentrating on the needs of the customer.

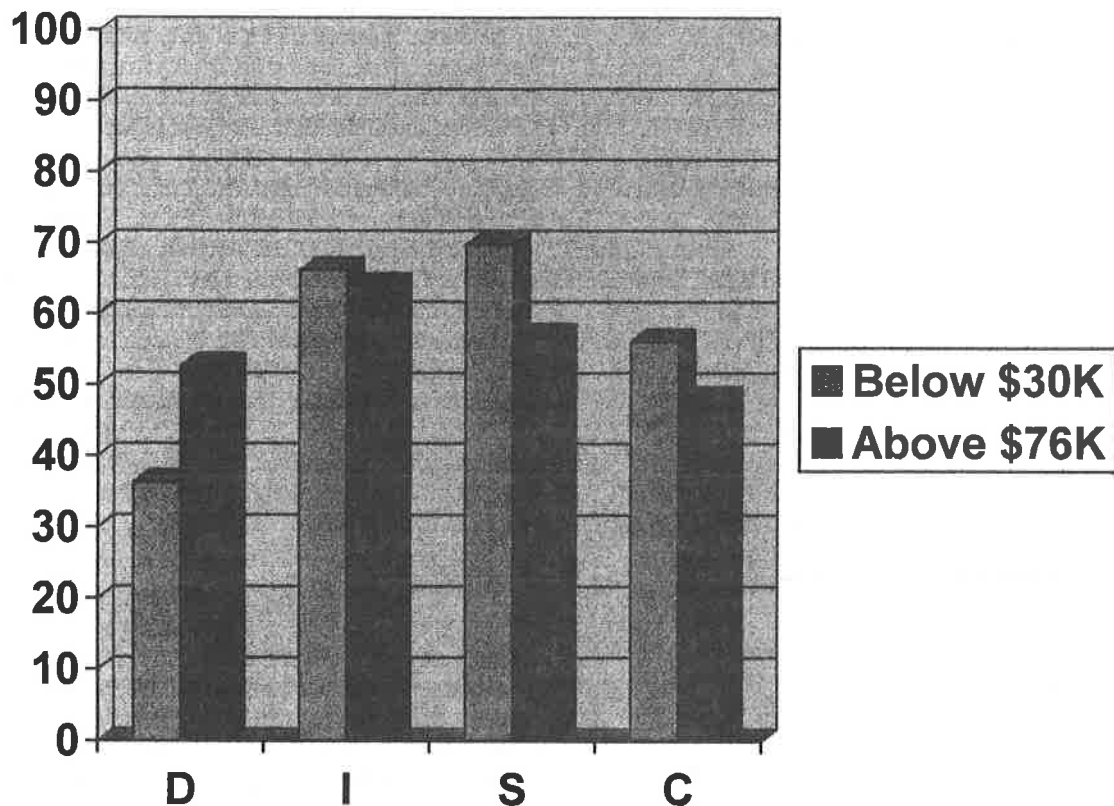


Table Two: Behaviors

D = Dominance: \$76,000 and more income producers scored 45% higher in their dominance behavior score than salespeople making \$30,000 or less (52.68/100 vs. 36.28/100). A 45% higher score for top salespeople is very significantly different ($p > .01$) in a t-test comparison.

I = Influence: Salespeople making less than \$30,000 actually scored 3% higher on the influence behavior score than those making \$76,000 and more (66.18/100 vs. 63.94/100). Note: a 3% difference is not significantly different ($p = .42$) in a t-test comparison.

S = Steadiness: Salespeople making less than \$30,000 scored 23% higher on the steadiness behavior score than those making \$76,000 and more (69.79/100 vs. 56.88/100). Note: a 23% difference is significantly different ($p < .01$) in a t-test comparison.

C = Compliance: Salespeople making less than \$30,000 scored 17% higher on the compliance behavior score than those making \$76,000 and more (56.11/100 vs. 48.04/100). Note: a 17% difference is significantly different ($p < .01$) in a t-test comparison.

Attitudes

The results that we found on attitudes really do help verify the income differences discussed in the behavior section. Those making \$30,000 or less had

demonstrated more of a “theoretical” attitude (15% higher score) than the salespeople making \$76,000 or more. Salespeople that possess a high amount of theoretical attitude want a great deal of information tend before they make decisions. It is reasonable to

assume that they believe their buyers want a good deal of information as well before making a buying commitment. In not wanting to deal with rejection, theoretical oriented salespeople may be willing to invest too much of their own expertise and provide information to a prospect in the *hopes* they become a customer. In reality, the theoretical type of salesperson just became unneeded because they provided a great deal of value without asking a prospect to become a committed buyer.

The utilitarian attitude gap between the top performers (\$76,000 income producers and above) and those making \$30,000 and less is technically not statistically different. However, we view an 11% difference to be enough to affect what we call "the edge" factor. The edge factors are those things that

may be relatively small on the surface, but can be leveraged to make big differences. Remember, one of the key points about a utilitarian attitude is that those salespeople that have it are more focused on receiving a return on the investment of time, money, and effort. They want to make sales happen, move projects forward, and see customers actually enjoying the fruits of their buying decision.

The individualist attitude was much more predominant for higher income salespeople (19% greater on average). The top performing salespeople seek out a winning strategy for closing business. As discussed earlier, they set high goals and actively pursue achieving them. Top performers enjoy recognition and like to use their own personal abilities to persuade to affect the sale.

Table Three: Attitudes

Theoretical: Those making \$30,000 and less scored 15% higher on the theoretical attitude scale than the salespeople making more than \$76,000. The gap is statistically different ($p=.013$) in a t-test comparison.

Utilitarian: Those making \$76,000 and more scored 11% higher on the utilitarian score scale than salespeople making less than \$30,000. The gap is not quite statistically different. However, in practicality we believe the difference is large enough to affect performance ($p=.159$) in a t-test comparison.

Aesthetic: Those making \$30,000 and less scored only 3% higher on the theoretical attitude scale than the salespeople making more than \$76,000. The gap is not statistically different in a t-test comparison.

Social: Those making \$30,000 and less scored only 5% higher on the theoretical attitude scale than the salespeople making more than \$76,000. The gap is not statistically different ($p=.339$) in a t-test comparison.

Individualistic: Those making \$76,000 and more scored 19% higher on the utilitarian score scale than salespeople making less than \$30,000. The gap is strongly statistically different ($p<.01$) in a t-test comparison.

Traditional: Those making \$30,000 and less scored only 1% higher on the theoretical attitude scale than the salespeople making more than \$76,000. The gap is not at all statistically different ($p=.802$) in a t-test comparison.

CONCLUSION

We believe that a unique pattern of three key factors became evident for successful salespeople. First, in terms of actual behavior, the sales professionals making more than \$76,000 exhibit more dominance behavior than those making less than \$30,000 (although they dominate *less* than they influence). Put another way, we believe they are more *focused* on solving their customer's problems than salespeople with less incomes. They know how to move the sales process forward without "telling" the prospect or buyer what to do. Rather they *consistently* ask questions designed to move the sale ahead.

Secondly, salespeople making less than \$30,000 were more likely to be steady and compliant in their behaviors. They want to evaluate at greater length before taking action. They are more conservative in their decisions and less risk taking in their customer solution approaches. They are more relaxed and we believe less focused on the sale toward a close. Our interpretation of the findings suggest the lower income salespeople have more difficulty dealing with call reluctance and sales rejection than the higher performing salespeople.

Thirdly, top performing salespeople are also more utilitarian and individualistic in their attitudes about selling. They seek to be solution oriented and

look for a specific return for their time, money, and effort. They are more likely to set specific goals and look to continually improve the efficiency and effectiveness in the way they sell and serve their clients. The attitudes of higher income salespeople reflect an understanding that it is *their* responsibility to be accountable for closing the sale. Goods salespeople know they are paid to deliver results. They are driven to provide quality solutions for their customers and be rewarded for the effort.

In addition to the discussed behavioral and attitudinal results, there is one more finding that was quite interesting. Those respondents that stated they love, ate, drank, and slept their career also exhibited more drive behaviors ($p > .01$) and fewer social and influence behaviors ($p > .01$) than those that did not. As can be expected, the correlation between loving,

eating, drinking, and sleeping the sales career and *income* was also highly correlated ($p > .01$). It is good for salespeople to be excited about their work.

While these conclusions might at first appear logical. The key point is that these differences in behavior and attitude are not easily discernible during an interview with a sales candidate. By using behavior and attitudinal sales assessments it is possible to identify those subtle factors that distinguish top performers from below average performers. Our recommendation for sales managers is to not leave the selection process up to chance. Rather, utilize tools that are tested and well validated, such as the leading behavioral and attitudinal selection instruments in order to increase the likelihood of making a correct hiring decision that will lead to the development of a successful sales professional.

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THE INFLUENCE OF ETHICAL CONTROL SYSTEMS AND MORAL INTENSITY ON SALES MANAGERS' ETHICAL PERCEPTIONS AND BEHAVIORAL INTENTIONS

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ABSTRACT

In order to discourage employees from behaving unethically, organizations have instituted compliance based strategies such as adopting codes of ethics and punishing employees who violate the code. However, another important way that organizations can encourage ethical behavior is to adopt a culture that emphasizes shared values (integrity – based strategy). Organizations that espouse an integrity strategy to dissuade unethical behavior adopt a corporate culture that emphasizes shared moral values and support for employees' ethical aspirations. An integrity – based ethics program emphasizes moral thinking on the part of managers and necessitates managers to abstain from behaving in a manner that causes harm to others or infringes on others' rights.

In addition, this study also investigated the perceived moral intensity of an ethical issue and its relationship to ethical perceptions and behavioral intentions. Moral intensity of an issue refers to "the extent of issue – related moral imperative in a situation" (Jones 1991, p. 372). Moral intensity is comprised of six components: magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity of moral issues, and concentration of effect.

This study analyzed how a corporation's ethical control system and moral intensity impact sales managers' ethical perceptions and intention to behave unethically. A mail survey was sent to a national sample of 700 sales managers. Returned questionnaires were received from 185 of the sales managers.

Two scenarios were used in this study to test the hypothesized relationships. In the first scenario, the salesperson deceives buyers by telling them that plant capacity is at a very high level because of his product's popularity, although plant capacity is actually low. In the second scenario a salesperson has given a purchasing manager a large gift in order to make a sale. However, the purchasing manager's company believed the gift was a bribe and has stated that it will not purchase again from the salesperson's company.

The results indicated that an ethical control system was important in determining sales managers' perceptions that an ethical problem existed. Sales managers whose company's ethics activities and policies are orientated toward building trust and confidence and communicating the company's values while encouraging shared values perceived the behavior of the salesperson as more unethical than other sales managers. The willingness of organizations to discipline employees for behaving unethically and creating an environment where ethical values are important appeared to impact the way sales managers perceived the salesperson's behavior as more ethical or unethical but not their intentions to discipline the salesperson. This study also confirmed the importance of perceived moral intensity on sales managers' ethical perceptions and perhaps behavioral intentions. In both scenarios perceived moral intensity was a positive, significant predictor of ethical perceptions. However, only in the second scenario was it a significant predictor of sales managers' intention to act in a similar manner as did the salesperson. Last, increases in sales managers' perception that an ethical problem existed did lead to a lower propensity to engage in unethical behavior in both scenarios.

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THE DYNAMIC EFFECT OF MULTIPLE REFERENCE POINTS ON SALESPERSON DECISION AND RISK BEHAVIOR OVER MULTIPLE ACCOUNTING PERIODS

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ABSTRACT

The authors propose a multi-period, multi-reference-point framework, which helps explain some inconsistencies in the extant literature concerning salesperson behavior in attaining sales quotas over time. The propositions are relevant to both academic researchers and sales managers in that they address quota-setting decisions.

INTRODUCTION

Performing against quota is the lifeblood of sales. Yet, it remains an under-researched area. Only recently the notion of measuring salesperson performance over time surfaced as an important issue in sales force management research (cf. Chonko et al. 2000). Meanwhile, sales managers have struggled for years with implementing scientific ways of setting quotas to properly motivate their sales forces (cf. Johnston and Marshall 2003).

The purpose of this paper is to underscore the importance of examining dynamic effects associated with multiple reference points and reference zones when establishing quotas for salespeople. The implications of not doing so are borne out especially under certain quota-setting policies wherein salespeople examine risks and decide on the extent of effort expended toward quota attainment.

According to the 1989 Sales & Marketing Management compensation study (Quoted in Ross 1991), 92% of responding manufacturing organizations includes either a bonus or a commission in their compensation package. However, like much of sales management, quota setting is part science and part art. It is often difficult to develop a simple, fair, realistic and motivational quota-setting system (Zoltners et al. 2001), so sales

managers often use simple heuristics in setting quotas such as percentage increases over previous year performance. Frequently, quota setting is based on management expectations rather than scientific approaches. This may result in potential problems with regard to sales force motivation. For example, under certain circumstances, salespeople who invest the least amount of effort, and achieve the lowest sales, may achieve the highest income! Furthermore, with the wrong quota-setting policy, some salespeople may actually feel *punished* for working hard and exceeding their individual quotas. To elaborate, consider the following fictional example:

Company XYZ has three sales territories, A, B and C. The company hires three salespeople: Andy, Barbara and Charlie to cover the territories respectively. The compensation plan for each of them is an annual salary of \$30000 plus 20% commission if they achieve their sales quotas. We assume identical market potential for A, B and C, also identical selling skills and experience for Andy, Barbara and Charlie. We further assume sales to be a linear function of effort invested by the salesperson. The company sets quota based on previous year sales; i.e., the quota will be the same if the salesperson failed to achieve quota in the previous year. Otherwise, it will increase by \$20,000 from the actual sales.

Table 1. Fictional Example of "Quota Setting Punishment"

Sales Rep.	Year1		Year2		Year3		Total 3 yr Quota & Sales	
	Quota	Sales	Quota	Sales	Quota	Sales	Total Quota	Total Sales
Andy	\$ 100,000	\$ 85,000	\$ 100,000	\$ 140,000	\$ 160,000	\$ 145,000	\$ 360,000	\$ 370,000
Barbara	\$ 100,000	\$ 100,000	\$ 120,000	\$ 120,000	\$ 140,000	\$ 140,000	\$ 360,000	\$ 360,000
Charlie	\$ 100,000	\$ 120,000	\$ 140,000	\$ 125,000	\$ 140,000	\$ 135,000	\$ 380,000	\$ 380,000

Sales Rep.	Salary	Commission	Salary	Commission	Salary	Commission	Total 3 yr Income
Andy	\$ 30,000	0	\$ 30,000	\$ 28,000	\$ 30,000	0	\$ 118,000
Barbara	\$ 30,000	\$ 20,000.00	\$ 30,000	\$ 24,000	\$ 30,000	\$ 28,000	\$ 162,000
Charlie	\$ 30,000	\$ 24,000.00	\$ 30,000	0	\$ 30,000	0	\$ 114,000

As indicated in Table 1, Sales Rep. Barbara, who sold the least amount (\$360,000 in three years), earned the highest income (\$162,000 in three years), because she is "clever" enough to take advantage of the quota setting and compensation policy; in other words, she "sandbagged"—a term often used in sales that means the salesperson held back on exceeding quota to prevent increased future quotas.

This example may appear to be extreme, but similar scenarios are common in many sales force management contexts. Problems stemming from quota setting can not only hurt the company's profitability but also negatively influence sales force morale. Salespeople who can exceed their quotas are given a higher quota in subsequent sales periods, which negatively reinforces effort. As important as it is, this problem has been largely overlooked in the sales force management literature. One fundamental reason stems from the static way many view quota setting. A focus on a single period of time is problematic.

INCONSISTENCIES IN THE LITERATURE

Nearly all published studies pertaining to quota setting focus on a single accounting period (Ross 1991; Chowdhury 1993; Gaba and Kalra 1999; McFarland et al. 2002). However, many salespeople join a company with the intent of staying with the same company for multiple years. Empirical studies regarding career stages of salespeople (Cron et al. 1988), and other aspects of sales force management (Brown et al. 1998; Smith et al. 2000; Jones et al. 2002), for example, suggest that the average job tenure of salespeople is five years. Thus, if one takes multiple accounting periods into consideration, some of the inconsistencies in the quota-setting literature would be reconciled.

Rooted in expected utility theory, it is commonly assumed that salespersons, like corporations, are profit maximizers (or equivalently, utility maximizers) (Farley 1964; Smyth 1967); however, the assumption is conflicting with empirical tests. Empirical research has repeatedly indicated that "salespersons are quota achievers rather than dollar maximizers" (Churchill, Ford and Walker 1982, P.210). That is, motivation appears to decline once quota is made (Winer 1973). Another example is by Darmon (1974), who shows a model in which salespersons work just enough to achieve an acceptable level of income.

Several attempts have been made to reconcile the inconsistency. Ross (1991, p. 297) claims: "Their findings can be interpreted two ways. One is to use a cost-benefit analogy; salespersons may view quota as the point just above which the cost of efforts expended equals the revenue to be gained, and hence have little motivation to expend further effort. Another interpretation is that, with a quota acceptable to the salesperson, salespersons do not count the effort or cost until quota is made, at which point they may begin to make cost-benefit tradeoffs." Though both explanations sound appealing, they are not satisfactorily persuasive. Let's examine them more closely. Borrowing from microeconomics, when marginal cost (MC) equals marginal revenue (MR), profit is maximized. Or, quota is the point at which the salesperson's utility is maximized. However, as we showed in the preceding analysis, real world quota setting is often inaccurate at best and arbitrary at worse. It is nearly impossible to justify that the quota is the point of utility maximizing. Furthermore, considering the impracticality of computing each salesperson's MC and MR, sales managers resort to simpler and faster

methods. There is no empirical support that salespeople or managers are actually calculating marginal cost and marginal revenue.

THEORETICAL DEVELOPMENT

We propose a multi-period, multi-reference-point framework, assuming sales managers set quotas for each salesperson at the beginning of every accounting year, and then compare the actual accumulative sales with the quota at the end of that same accounting year. Commission will be calculated based on the comparison and paid to the salesperson accordingly.

We also assume that the quota for the next accounting year will be a function of the actual sales in the previous year. The quota will increase at a different rate depending on whether the salesperson achieved the previous year's quota. For example, one quota-setting method could be as follows: if the salesperson achieved quota, the new quota will be (120%) times the actual sales of the previous year. If the salesperson failed to achieve the previous year's quota, the new quota will be, say, (110%) times the quota of the previous year. The logic behind this is tied to market uncertainty. It is usually difficult for sales managers to figure out the "real" market potential with accuracy, thus estimating it with actual sales last year becomes an attractive and seemingly reasonable alternative.

Following the agency theoretic points of view (Basu et al. 1985; Lal and Staelin 1986), we assume salespeople maximize their income (utility). And, deviating from the traditional agency theory framework, we further assume salespeople maximize their utility over multiple accounting periods rather than for a single period of time. Mathematically,

The first year income will be:

$$I_1 = \begin{cases} A & \text{if } X_1 < Q_1 \\ A + BX_1 & \text{if } X_1 \geq Q_1 \end{cases}$$

Where I_1 is the total income in year 1;
 A is the salary;
 B is the commission rate;
 X_1 is the sales in year 1;

Q_1 is the quota of year 1;

Similarly, the second year income will be:

$$I_2 = \begin{cases} A & \text{if } X_2 < Q_2 \\ A + BX_2 & \text{if } X_2 \geq Q_2 \end{cases}$$

Specifically,

$$= \begin{cases} Q_1 * (1 + 10\%) & \text{if } X_1 < Q_1 \\ X_1 * (1 + 20\%) & \text{if } X_1 \geq Q_1 \end{cases}$$

Q_2

Following the formula, we can calculate I_3 through I_n . From a multi-period perspective, we propose that the salespeople maximize the total income $\sum_{i=1}^n I_i$ rather than maximize I_i , the income for any single period only.

Ross (1991) demonstrates that a salesperson's quota acts as a reference point and influences sales call selection. McFarland, Challagalla and Zenor (2002) compare and contrast call selection when a single goal (quota) is given versus when dual targets (a quota plus bonus level) are assigned. From a multiple-period perspective, we propose that when salespeople make sales call selections, they have three reference points, and thereafter four reference zones. The use of multiple reference points is consistent with the goal setting literature. Locke and Latham (1990) test the existence of realistic goal levels and their impact on human performance. Naylor and Ilgen (1984) suggest that an individual may have a minimum acceptable goal, a neutral goal, a moderate goal, and a maximum feasible goal.

PROPOSITIONS

Consistent with previous studies regarding reference points, we propose that salespeople are affected in their call selection decisions (risk-seeking behavior) and effort level by where they are in relation to quota. In our framework, as shown in Figure 1, there are three reference points, Bonus Level, Quota Level and Perceived Acceptable Level; and four reference zones: Winner Zone, Quota Achiever Zone, Survivor Zone and Loser Zone.

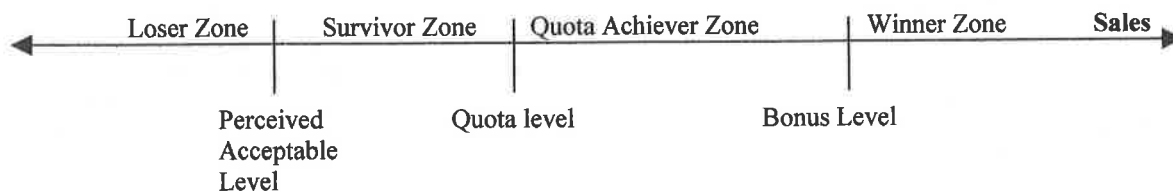


Figure 1. Three Reference Points and Four Reference Zones.

Quota Level and Bonus Level are explicitly communicated to the salespeople through the company policy at the beginning of an accounting year. Therefore, it is relatively straightforward to understand the domains of the Winner Zone and Quota Achiever Zone. The "Perceived Acceptable Level", however, exists only implicitly. Due to market uncertainty, sales managers hardly know with 100% confidence whether the quota is the exact amount matched to a particular territory. As a result, when an individual salesperson achieves 90% of her quota, the sales manager cannot infer from the number whether the salesperson has invested enough effort. In general, for most companies, achieving 90% of quota is treated as "acceptable". However, if a salesperson achieves only 40% or 30% of quota, even with market uncertainty, the sales manager may be able to infer that either the salesperson is not competent or is not exerting full effort. It is thus reasonable to argue the existence of a "Perceived Acceptable Level", implicitly known to both salesperson and sales manager. The salesperson who falls in the "loser zone" will either lose his or her job or be put on probation. Thus, we propose the following.

Proposition 1: Salespeople in the Loser Zone choose the option that affords the best opportunity (risk-seeking), to reach the Survivor Zone; that is, they escape the Loser Zone if they perceive that they have a chance to do so.

However, if the salespeople perceive that there is no chance at all. They may give up and try to find a job elsewhere. Thus,

Proposition 2: Salespeople in the Loser Zone will be more risk averse and invest the least amount of effort if they perceive that they have a small chance of entering the Survivor Zone.

Once the salespeople enter the survivor zone, the focal reference point will shift to the Quota Level. If the salespeople perceive that there is a chance to make quota by choosing a risky account to call on, then

Proposition 3: Salespeople in the Survivor Zone choose the option that affords the best opportunity (risk-seeking), and invest high levels of effort, to reach the Quota Achiever Zone.

When salespeople perceive that there is a low probability of entering the Quota Achiever Zone, the traditional single-period and our multi-period

perspectives predict the same result, but based on different reasoning. Ross (1991, p. 298) predicts "salespeople are more risk averse when they have no opportunity to make or exceed quota than they are when they have an opportunity to do so." The reasoning behind this statement is that "... making a small sale might leave the salesperson in a better position with the sales manager than making no sale." Our multi-reference point, multi-period perspective predicts that salespeople will try to maximize profit for multiple periods by avoiding the "quota setting punishment"—meaning, low actual sales this year will lead to a relatively lower quota next year. Thereafter, the chance to reach quota, and earn commission next year, will increase. Thus,

Proposition 4: Salespeople in the Survivor Zone will be more risk averse and invest the least amount of effort if they perceive that they have a low probability of entering the Quota Achiever Zone.

Once they enter the Quota Achiever Zone, the focal target shifts again to Bonus Level. The bonus could be cash or free travel. A traditional single-reference point perspective ignores this situation (Ross 1991). A dual-reference-point perspective predicts that, "salespeople will choose the alternative that affords them the best opportunity of attaining the upper bonus target" (McFarland et al. 2002, P.112). From our multi-reference-point perspective, we propose a contingency.

Proposition 5: Whether the salespeople in the Quota Achiever Zone are risk seeking or risk averse will be moderated by the company's quota setting policy; specifically, by the perceived difference between the desirability of being in the Winner Zone this year and the negative effect of receiving an increased quota next year.

CONCLUSIONS

This article presented a multi-period, multi-reference point framework, which is consistent with the goal setting literature. There are three contributions we make in this research. First, we extend the extant literature by proposing that there are three targets influencing sales call selection and four reference zones in which salespeople's risk behavior differ. Secondly, we show that from a multi-period perspective, salespeople can be quota achievers and profit maximizers simultaneously. Thirdly, we show that firms' quota-setting policies moderate sales call selection behavior.

Our proposed framework helps resolve the inconsistencies in extant research. For example, under a multiple-period perspective, there is little guesswork on the part of sales management at whether salespeople are quota achievers or profit maximizers. They are both. And, the phenomenon that “once quota is made, motivation (effort) appears to decline” can be better explained. In fact, salespeople have reasons to reserve their effort; i.e., “sandbag”, for one accounting year in order to avoid the “punishment” of getting a higher quota the

following accounting year, thus maximizing profit over multiple time periods. More importantly, the multiple-period perspective demonstrates the dynamics of multiple reference points and their relationship with quota-setting schemes. In managerial terms, it is worthwhile for sales managers to understand the impact of multiple targets in a multi-period context. With this understanding, managers will be able to design better quota-setting policies and reward systems to positively influence salesperson behavior.

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EXECUTIVES-IN-RESIDENCE AT THE BUSINESS SCHOOL: EXPECTATIONS AND REALITIES

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ABSTRACT

Executive-in-residence programs have achieved mixed results in meeting their goals. The authors surveyed deans of AACSB-member schools to determine their top goals for executive-in-residence programs. Providing undergraduate students with a broader perspective is the top priority of the deans surveyed. The deans also provide recommendations for starting an executive-in-residence program.

INTRODUCTION

AACSB encourages executive-in-residence programs at business schools, suggesting these executives provide a valuable resource for deans, faculty and students. Benefits of having one or more executives-in-residence may include: providing students and faculty with a broader perspective; helping to strengthen ties with the business community; assisting with business school fundraising; helping with student recruitment; and explaining the importance of ethics and corporate social responsibility. The extant literature, however, provides little guidance for business schools considering adopting an executive-in-residence program.

Graduate students appear to relate especially well with executives-in-residence. Arnold (2002) reports that many business schools are experiencing a double-digit increase in applications for MBA admissions. Nationally, 93,889 potential graduate students took the Graduate Management Admission Test (GMAT) between January 1 and July 31, 2002, an increase of 12.8 percent over the same period in 2001 (Arnold 2002). Thus, it may be a good time for business schools to consider adding or modifying executive-in-residence programs.

Executives-in-residence can become vital role models for both graduate and undergraduate business students. West (2002) suggests that to succeed, students need role models just as much as they need academics. Students also need to learn about setting goals and working to achieve them (West 2002). Executives-in-residence often bring practical experiences to the classroom that help students to better understand power and

responsibility for decision-making. In a study of respected physician role models in medical schools, Wright and Carrese (2002) conclude that the positive attributes of role models represent behavior that can be modified or skills that can be acquired. Wright and Carrese (2002) describe several domains related to effective role modelling. These include higher-order clinical skills, teaching skills, and personal qualities. Absent other research, business school deans would be wise to consider business skills, teaching skills, and personal qualities in the selection of executives-in-residence.

Executives-in-residence may also take on the role of mentor. Berger (1990) says that mentors are especially valuable to female students. Kaufman's (1981) research indicates that when women have mentors, their earning power is equal to the earning power of men. Women without mentors, however, tended to earn less than men do. Boston (1976) suggests that the purpose of mentors is to transform lives through the passing of values, attitudes, passions, and traditions from one person to another. Special care should be taken to include both male and female executives in an executive-in-residence program.

Segal and Del Valle (1992) describe four stages of school-business relationships that can be instituted to improve the success of schools. These stages include adopt-a-school, project-driven, reform-oriented, and policy change. Although this article pertains to public elementary and secondary schools, faculty and deans of business schools may want to consider the ramifications of school-business relationships when instituting an executive-in-residence program.

METHODS

The authors mailed a survey pertaining to executives-in-residence programs to the population of deans of all AACSB-member business schools located in the United States. Due to cultural differences, the authors elected not to include the international AACSB-member schools in the study. AACSB-member schools may or may not be accredited by the AACSB. Mailing labels were purchased from AACSB. The deans were asked to fill out the survey and return it by mail in a researcher-supplied business reply envelope. A total of 160 usable questionnaires were used in the analysis. The response rate was 25 percent.

Nearly one-half of the deans (47.5 percent) have been dean at their current institution for less than three years. A total of 39.2 percent of the respondents have been dean at their current institution for three to 10 years. The remainder of the deans (13.3 percent) had been dean at their current institution for more than 10 years. More than one-third of the deans (34.1 percent) responding to the survey have main campuses located in urban areas. About one-fifth (19.9 percent) reported that their main campuses are located in mid-sized cities while another fifth (19.1 percent) reported that their main campuses are located in suburban areas. Almost a quarter (24.1 percent) of the deans have campuses in small towns while the remainder of the deans (2.8 percent) reported that their main campuses are located in rural areas.

The size of the undergraduate programs represented by the sample of deans includes: 501-1,000 undergraduates (26.3 percent); 1,001-1,500 undergraduates (20.4 percent); 201-500 undergraduates (16.8 percent); more than 2,000 students (16.7 percent); 1,501-2000 undergraduates

(11.7 percent); 51-200 undergraduates (6.6 percent); and less than 50 undergraduates (1.5 percent).

The size of the MBA programs represented by the sample of deans includes: 51-200 MBA students (34.9 percent); 201-500 MBA students (27.3 percent); 501-1,000 MBA students (13.3 percent); zero MBA students (11.2 percent); 1-50 MBA students (9.8 percent); 1,001-1,500 MBA students (1.4 percent); 1,501-2,000 MBA students (1.4 percent); and more than 2,000 MBA students (.7 percent).

The size of the Executive MBA programs represented by the sample of deans includes: zero EMBA students (73.4 percent); 1-50 EMBA students (14.7 percent); 51-200 EMBA students (11.2 percent) and more than 200 students (.7 percent).

The size of the doctoral programs represented by the sample of deans includes: zero doctoral students (82.4 percent); 31-50 doctoral students (7.7 percent); more than 50 doctoral students (3.6 percent); 11-30 doctoral students (3.5 percent); and 1-10 doctoral students (2.8 percent).

RESULTS

Table 1 summarizes the existence or non-existence of executive-in-residence programs among the 160 deans answering the survey. Almost half of the deans in the sample (49.4 percent) reported having an executive-in-residence program in place. Of those with a program in place, 72.2 percent reported currently having one or more executives-in-residence at their schools. More than one-fifth of the deans responding to the survey (22.5 percent) said they did not currently have an executive in residence program in place, but are considering one. Only 4.4 percent of the deans reported that they had abandoned their executive-in-residence programs.

TABLE 1
Deans Reporting Status of Executive-in-Residence Programs

	Number	Percentage
Currently Have One or More Executives-In-Residence	57	35.6%
Do Not Currently Have an Executive-in-Residence Program, But are Considering One	36	22.5%
Do Not Currently Have an Executive-in-Residence Program, and are NOT considering One	31	19.3%
Have a Program in Place, but Do Not Currently have an Executive-in-Residence	22	13.8%
Had an Executive-In-Residence Program, but Discontinued It	7	4.4%
Other	7	4.4%

n = 160

The deans were asked to rank the importance of seven specific goals for executive-in-residence programs. Eighteen of the deans surveyed (11.3 percent) reported that none of these goals were important for executive-in residence programs. Thus, Table 2 represents the answers of the remaining 142 deans in the sample. The goals of providing undergraduate students, graduate students and faculty with a broader perspective had the most Number One rankings as well as the highest mean ratings (reverse scored). It appears that undergraduate students need

this most, followed by graduate students, and then faculty. The goal of fund raising received a mean rating (reversed scored) nearly as high as the goal of providing faculty with a broader perspective. The three goals receiving the lowest amount of Number One ratings as well as the lowest mean ratings (reversed scored) were: the goal of helping to strengthen ties with the business community, the goal of assisting with student recruitment, and the goal of explaining the importance of ethics and corporate social responsibility.

TABLE 2
Rankings of Deans' Goals for Executive-in-Residence Programs

Goal	Ranking of "1"	Mean Rating*
To Provide Undergraduate Students with a Broader Perspective	83	6.19
To Provide Graduate Students with a Broader Perspective	31	5.47
To Provide Faculty with a Broader Perspective	12	4.98
To Help Strengthen ties with the Business Community	2	4.94
To Assist With Business School Fund-Raising Activities	10	3.27
To Assist with Student Recruitment	1	2.83
To Explain the Importance of Ethics and Corporate Social Responsibility	3	2.78

n = 142

*Reversed Scored

Although goals are important, evaluation of the goals is equally important. The deans with existing executive-in-residence programs were asked to rate the success or failure of each of the seven specific goals mentioned previously. Results are shown in Table 3. The goal with the highest priority, providing undergraduate students with a broader perspective, was also the most successful goal. Nearly two-thirds of the deans in the sample said that this goal was fully met with another 30.9 percent reporting that the goal was partially met. Only 4.9 percent of the sample said that this goal was not met. Assisting with fund-raising, number 5 on the list of priorities, did not fare well in the deans' evaluation of success. This goal was only met by 14.5 percent of the executive-in-residence programs. In addition, 41.7

percent of the programs did not even partially meet this goal. Although the goal of explaining the importance of ethics and corporate responsibility was at the bottom of the list of priorities for executive-in-residence programs, 89.3 percent of the deans reported that this goal was either partially or fully met by their programs.

In an open-ended question, the deans provided valuable insights about starting an executive-in-residence program. Table 4 summarizes these comments. Planning, relationships, teaching, integrated marketing communication, and evaluations are especially important to consider when developing or improving an executive-in-residence program.

TABLE 3
Deans' Evaluation of Goals for Executive-in-Residence Programs

Goal	Fully Met This Goal	Partially Met This Goal	Did Not Meet This Goal
Provided Undergraduate Students With a Broader Perspective	64.2%	30.9%	4.9%
Provided Graduate Students With a Broader Perspective	52.3%	35.4%	12.3%
Helped Strengthen Ties with the Business Community	46.0%	48.6%	5.4%
Provided Faculty With a Broader Perspective	44.4%	43.0%	12.5%
Explained the Importance of Business Ethics and Corporate Social Responsibility	31.4%	57.9%	13.7%
Assisted With Student Recruitment	18.4%	51.0%	30.6%
Assisted With Fund Raising	14.5%	43.8%	41.7%

DISCUSSION

Results of the survey indicate that executives-in-residence do a good job of providing a broader perspective for undergraduate students, graduate students, and faculty. The executives-in-residence appear to be less successful at fund-raising and student recruitment. Although the teaching of ethics was not a high priority for the deans, the executives-in-residence did in fact prove to be successful with this topic. The results of the survey, however, must be used with some caution due to a fairly low response rate.

Overall, executive-in-residence programs appear to be successful since less than 5 percent of the reported programs have been terminated. With 22.5 percent of the deans considering the adoption of an executive-in-residence program, perhaps the most important information provided by the deans is their recommendations for starting new executive-in-

residence programs. Leaders of new programs can learn a great deal from existing programs.

DIRECTIONS FOR FUTURE RESEARCH

The extant literature provides little information about executive-in-residence programs. These important contributors to the business school should no longer be neglected. Although the deans' perspective is very important for the planning and evaluation of executive-in-residence programs, one should also consider the perceptions of students, faculty, and the actual executives-in-residence. Further research should also be done on the type of duties executives-in-residence perform. With recent concerns over declining business ethics, additional research should also be conducted on the pedagogy used by executives-in-residence to explain the importance of ethics and social responsibility. Expanded research on using executives-in-residence as role models and mentors should also be developed.

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Table 4

Deans' Recommendations for Schools Considering Starting an Executive-In-Residence Program

General

Valuable for both the program and the executive. Do it!

It's a very worthwhile effort.

The benefit far outweighs the costs. Good luck.

One of the best staffing decisions we ever made.

Planning

Identify your goals. Plan activities carefully. Don't expect miracles.

Coordinate the arrangement to meet specific goals.

Set a clear purpose. School mission related. Involvement of students.

Define goals – should not be fund raising – that may come later.

Be clear on what is expected.

Start small and work your way into a more elaborate program.

Think through goals of program.

Focus it on institutional goals. Make it enjoyable and meaningful for the executive. Scope the project to deepen your niche or explore a new program area.

Have a very specific plan in place.

Be prepared for flexible arrangements. The executives have goals for their participation also, and may be able or want to participate in more limited ways.

Have fewer but well identified executives-in-residence.

Be sure you have funding readily available to support a continuing program – hard money budgeted.

Make sure the person is really active – not acting like they are retired.

Consider the implications of only inviting one executive at a time and how they might read this. Make sure that the executives are as fully scheduled as possible during their time. Leave plenty of time to arrange for involvement in classes.

Be clear on compensation and the kinds of work experiences that combine to distinguish an EIR from an ordinary term or adjunct professor.

If you provide compensation, don't pay too much.

I've used him as needed in our circumstances. It completely depends on needs – design to fit them.

Have term limits for a graceful exit.

Relationships

Have faculty buy in to commitment across all departments.

Get the business community and the advisory council to adopt/support it.

Get the person introduced quickly with a full description of experience. Faculty do not always accept the non-academic.

Faculty committee should prepare itinerary.

Requires an internal host.

Share this resource with other academic units on campus. They may well lead to interesting cross-discipline initiatives that would not have developed otherwise.

Our students relate better to our alumni – a perceived empathy, if you will.

Get maximum exposure to students in both formal and informal settings.

Be careful with executive and professor interaction. They need to be carefully planned and organized.

Teaching

Use primarily as guest lecturer in selected courses.

Train the executives-in-residence that they must be discriminating graders. A grade of C or D is a learning opportunity for a student, not a condemnation of his/her character.

Table 4 Continued Deans' Recommendations for Schools Considering Starting an Executive-In-Residence Program
Avoid storytellers...B.S. no matter how delivered is still B.S. Stress tying actual business practices to a learning environment. Avoid individuals who wish to impose political, social and other values without foundation. To raise ethical, moral, social values...yes, to impose...NO!!
Make sure they know how to teach or are willing to learn. Preparation and teaching is different from the corporate world. I'd encourage you to seek out those people who exemplify the best of what you want your students to be.
Integrated Marketing Communication
Need strong internal and external PR to involve students, faculty, and business/professional community.
Promote executives-in-residence to students and faculty.
Evaluation
Have clear goal of program that is measurable. Have an outcomes assessment system in place before you appoint an executive-in-residence.
Establish a reward/recognition system, measure and assess results.

THE CUSTOMER SERVICE MARATHON: A SCORECARD-BASED PROJECT FOR CUSTOMER SERVICE AND SATISFACTION COURSES

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ABSTRACT

Delivering exceptional customer service on an ongoing basis is both an art and a science. Concurrent with the increasing emphasis on customer service in the marketplace, students in two-year business and business technology programs are rediscovering the importance of obtaining a solid grounding in customer service principles as part of their pre-professional training in Marketing. As a result, enrollment in customer service courses is increasing. Students are more demanding in terms of what they want to learn about this key driver of business success, since customer service is no longer limited to the after-the-sale problem resolutions. Today's customer service courses are quickly being updated with more innovative approaches.

This paper presents a discussion of the development and application of a scorecard-based project for students enrolled in a customer service and satisfaction course within a two-year business technology program. The project is loosely based on the concept of a Kaplan and Norton-style Balanced Scorecard for customer service and includes both classroom participation and field-based data collection. Using a scorecard approach, students have the opportunity to examine the customer service practices of their favorite business or businesses over the course of a semester. Project options include tracking the performance of a single business across ten periodic visits or comparing/contrasting the performances of two businesses – each visited five times. The project is dubbed the “Customer Service Marathon” in light of the repetitive business visits made over the course of a semester.

The project begins with a discussion of the Balanced Scorecard and how scorecards, in general, may be used to track the performance of an organization. Students are asked to participate in a group brainstorming session to define what is really important in terms of good customer service. Based on the results of the brainstorming session, students and the instructor then work together to design a set of questions that may be used to evaluate the customer service policies and practices of actual businesses familiar to the students. The actual scorecard is set up using a Likert scale to provide a quantitative rating of the business(es) for each question. Spaces next to each question are also made available for qualitative notations on how the business performed. A scorecard is completed and e-mailed to the instructor following each student visit to a business.

Following the field data collection period, students analyze their scorecards to determine what the data are saying about the customer service practices of the business(es) under study. Some assistance from the instructor may be necessary in helping students to recognize trends and/or to formulate ideas as to what may account for changes observed across all ten visits. Students should be encouraged to probe deeply. For instance, if the customer service was consistently good, why was it consistently good? If an aspect of the customer service declined over time, what specifically changed and why did it change? At the end of the current project iteration, students produce posterboards illustrating both the quantitative and the qualitative findings of their research work. Posterboards are then displayed in the classroom, serving as food for thought for a round table discussion to conclude the project.

The “Customer Service Marathon” project has proven to be immensely popular with students. It builds directly on measurement concepts discussed during the class and allows students the opportunity to get out and explore customer service in action -- with a new pair of eyes. Invariably, students comment that they notice things about their favorite business establishments that they had never noticed before. Once the wrap-up discussion is held, it is also possible to revisit the concept of a more rigorous Balanced Scorecard in more depth, since students will have a better appreciation for the tasks involved in measuring business performance.

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ADVENTURES IN TEAM TEACHING: THE PARALLEL COURSING STRATEGY

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ABSTRACT

Parallel coursing is defined as, "two courses taught in part in the same space and time by two different faculty teaching two separate classes." Parallel coursing was developed to allow interdisciplinary teaching across professional schools in order to mimic real processes. One application of the concept is presented and evaluated.

INTRODUCTION

Parallel Coursing is two courses taught in part in the same space and time by two different faculty teaching two separate and distinct classes.

Why do we need a new term or a new form of team teaching?

New product development was taught in both the school of engineering and the school of business. Although each school approached the topic from different points of view there were many similarities in the content. In industry teams of business and engineering professional develop new products. These facts led the faculty in each school to seek a framework to teach new product development in an integrated fashion to both engineering and business students. Accreditation problems, turf squabbling and an administrative bureaucracy were problems to be overcome. The concept of parallel courses allowed the faculty to solve the administrative, turf and accreditation problems. By employing the concept of parallel courses, two or more courses are taught concurrently but the faculty and students in each course maintain their independent curriculum, school or college assignments and most of all grading system.

The first issue involves accreditation. The engineering school is accredited by ABET, the American Board of Engineering and Technology and the business school is accredited by the AACSB International, the American Association for Collegiate Schools of Business International. Each accrediting body wants students in their field to be taught and evaluated by faculty with terminal degrees in the field. The second issue is one of turf. University faculties are territorial. The academic silos where faculty teach, and research, also resemble

castle towers, protected from outsiders. Who could teach it better than one of us? But how then do you team-teach across the towers? Finally you have the bureaucracy in the administration. That bureaucracy approves classes and scheduling, assignment of faculty, and many other course related issues. The bureaucracy doesn't care that a faculty member is teaching with a colleague from another school. The administration only cares about how he or she accounts for the hours taught? Who gets the credits for the class? Who assigns the rooms? Etc. Faculty members complicating the process risk getting burned.

How is Parallel Coursing Different?

There are several different ways in which courses have been team-taught in the past (Levenburg, Lane, Simha, and Farris, 2003). First, in segmented teaching the faculty teams acts like a wrestling tag team; faculty teach different segments of the same course sequentially. For example, following through the Product Life Cycle one faculty member might teach introduction, another faculty member might teach, growth, another maturity, and perhaps another teach decline. To the students, a segmented class looks much like a traditional class. At any moment the students are confronted with one faculty member imparting information. The students have a syllabus that shows them who is presenting what when. The responsibility for grading may rest with one faculty member or be shared among the faculty team. The faculty do not share expertise with or interact with each other.

A shared course might have two faculty assigned to the same course and they both enter the classroom in the face-to-face context or on line together. Thus the students are in one course receiving inputs from multiple faculty members. The

students are presented with a syllabus that has both faculty members' names on it. The two or more faculty members are jointly responsible for all students in the course so in addition to teaching together they are probably grading together.

Another method of team teaching is interchangeable sections. A group of faculty members are teaching the same course with two or more sections. The faculty members are suppose to deliver the same material in similar ways so that students can attend any combination of labs, lectures or recitations. The faculty member of record grades each student's work. This structure provides student with schedule flexibility does not foster interaction between faculty teaching the course.

Parallel coursing is different from the other team teaching strategies discussed above in three ways. First the faculty and students involved in the parallel courses should have different areas of expertise and the subject of the courses should be related to these areas of expertise. The ability to study related topics from different perspectives is the advantage of the parallel coursing strategy. The second difference is that some topics are covered with the all participants in the parallel courses together and other topics are covered separately with the participants in their own classes. Although the subject of the parallel courses are related not all topics are covered by both classes. Finally the grading and course credit reside with the individual courses and their faculty. This solves many problems with the accreditation bodies and the administration.

PARALLEL COURSING ENGINEERING DESIGN AND MARKETING NEW PRODUCT CLASSES

In the winter of 2003 the program was launched with two courses: Engineering Design and Marketing New Product (Lane and Farris, 2003). Two faculty, five paying corporate clients, and two classes were in the first cycle. The two classes were scheduled to meet on the same night in different rooms of one building. One of the assigned classrooms was large enough to hold both classes. Therefore the faculty members were free to hold one combined class or two separate classes. On the first night the classes were together to hear the clients describe their product challenges, the experiential school was not consulted. At first the Engineering administrators could not understand why the business faculty were calling and asking for an explanation. School administrators are not use to thinking about faculty sharing responsibility and therefore having

component. Teams of students, guided by the faculty, had fifteen weeks to take the clients' rough idea through the new product development process. Each team had approximately equal numbers of engineering and business students. The course was designed to mimic industry practice, problems and promote meaningful interaction between engineering and marketing.

It was extremely difficult work. The net result was five completed projects, some great product ideas, energized students, a list of beneficial changes for next year, and much insight into the rewards and challenges of teaching parallel courses. Some of those rewards and challenges are presented below.

Issues presented in the pentagonal model of stakeholders

The perceived interactions amongst the stakeholders are discussed below.

Administrative

To minimize the problems involved in launching a parallel course, the administration must be involved in the planning. The administrators must understand that decisions they have made alone in the past must be made in conjunction with another school. For example, when the Engineering school decided to change the day of the week of the design class, the business

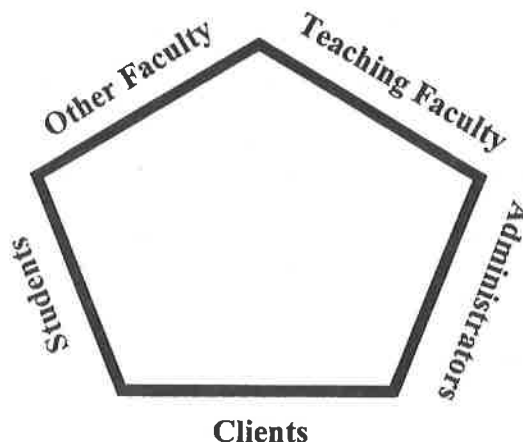


Exhibit 1. The pentagonal model of parallel coursing stakeholders.

common needs across schools. Similar problems can be encountered when the parallel courses consume or generate money. Who controls these resources and how will they be dispensed?

Administrators are also receiving comments from faculty not involved in the parallel course, students and sometimes clients. Students, both taking and not taking one of the courses, and other faculty, who were curious about the program, often turned to the administration with questions. If the administration is not well informed, misinformation can be disseminated or the faculty teaching the courses may receive multiple requests for information and clarifications. Also the clients sometimes interact with the administration. For instance a client company would encounter a Dean at a civic function and enquire about the progress of product design. This can lead to some interesting questions from the administration.

Other faculty

The authors did not sufficiently educate their colleagues about the first offering of the parallel courses. To be fair these colleagues were not interested until they started hearing about the course from students in the class. They had concerns about accreditation, credits for teaching, and the topical coverage of the class. Other faculty did not seem to understand the purpose of the parallel courses. They still do not understand fully. Since these faculty members had not designed the courses, they were not aware of the complexities.

This was fueled by comments from students as they talked with faculty. Again because parallel coursing is new, there does not exist a shared framework within which to communicate. Some faculty, not surprisingly, think that you are team teaching and therefore the issues of discipline, credit and so forth come up. In the first cycle with the clients, other faculty thought that this was some kind of mysterious moneymaking machine. It is not. Students expressed legitimate concerns to colleagues, about cross functional teams, about the time in each discipline, about projects verses lecture in classes, and about a required course in engineering verses a business elective.

Students

Students made the program a success. Some of the students embraced the idea of parallel coursing from the first day. They carried their excitement through the class and made the effort worthwhile. Other students were more cautious. These students had registered for a course that they needed to fulfill their program and had no idea that they were involved in parallel coursing until the first class meeting. Even though the course web sites described

the structure of the course in detail, there was no requirement that you go on line before the class began.

Student expectations were an immediate problem. The parallel teaching faculty had developed expectations about what could be accomplished. Students having registered for a course had natural expectations about what that course might be like based on the way it had been offered in the past or their experience with other courses. Expectations lead to satisfaction. The faculty did not fully realize this point. The gap between student and faculty expectations should have been addressed at the first meeting of the course.

Students were interested and excited by projects. Many students had questions about grading, teams, course coverage, the two textbooks and much more (Crawford and Di Benedetto, 2003, Ulrich and Eppinger, 2000). In grading they of course wanted to know what the reward structure was and who would be responsible for their evaluation. There were questions about how the grading worked from both engineers and marketing students.

Students also wanted to know about the topical coverage. What would they learn in engineering or marketing? The students in marketing taking an elective may have been a bit more casual while the engineers in the required course were full of concerns. As the semester moved on this switched. In part because many of the business students were engineers coming back for as MBA degrees and they wanted to be sure that they got the marketing content that they were after.

Students are a direct source of information for other faculty and the administration. Students interact with the administration at various committee meetings, social functions, and on the university campuses. In trying to be sure that team members workloads were somewhat equal the faculty assigned estimated hours of work to some course components. Some students were not prepared for the level of effort suggested by the time estimates. Naturally the negatives in life get talked about more than the positives.

The students are the primary contact with the clients. They wanted to do a good job for the clients all of whom are major employers in our area. This was facilitated in part by in class meetings at the beginning, middle and end of the semester. This seemed to be a very positive exchange.

Teaching faculty

The teaching faculty had to interact with everyone. The job started and ended with the administrators who had to be persuaded to try parallel coursing. Along the way the faculty had to be sure that administrators always knew what was going on and what had occurred. The student issues are always expected. One may not know what they will be, but they will be there. That is the job of teaching faculty to interact. Grading was a complex issue. Team assignments were often used to facilitate interaction between the marketers and engineers. Therefore the faculty had to work hard to ensure that the grading fair and reasonable on both sides. This also served as a cross-disciplinary learning experience for the faculty.

Clients

The client based projects were the glue that held parallel courses together. They added the excitement and the drama. On the first night of the class, it was obvious that the clients would provide a lot of excitement. A large appliance manufacturer, a national supplier of plastics, a national supplier of transportation seating, an international supplier of filtration systems and a fledgling high tech medical supplier sponsored the five projects. These clients stimulated the students and the faculty. They became the five cases of the course. They became wonderful resources for faculty and students. The faculty had to devote much time to recruit the clients, to negotiate the contract, and to keep them informed of the progress of their projects.

LESSONS LEARNED

Student expectations

Satisfaction is the result of student expectations being met. One of the problems in the first cycle of the program was that student expectations were ignored. Faculty who did not think about the impact of taking students out of a traditional class mode without changing their expectations, were left with students expecting another type of class. They were not expecting to set aside the time for the customer-orientated projects. Students also need to understand that they will be process as much as results. A creative idea does not guarantee a high grade.

An anticipated addition to the program is the idea inviting NPD professionals to speak about their experiences. Hopefully the professional's stories will

adjust student's expectations and convince the students of the need for continual change and iteration. The more students can understand the changes are likely to occur as they move through the process, the more student satisfaction the faculty can expect.

Continuous calendar

Students need help with the idea of a continuous calendar that changes all the time in a class setting. They are used to receiving a calendar that is organized by week or by day. They know what is due and when. In addition students expect that when they complete one element of the course that material will not be revisited. In most courses when you complete a section you are done. New Product Development is different. Teams have to be prepared for continuous change; tasks take longer than expected and new information impacts work already completed. This is true in both engineering and marketing.

It is the nature of innovation and NPD that you are never done. Knowledge gained in one step leads to more innovation and change. The goal is to make students adept at knowledge based change. Knowledge based change is the ability to make the necessary changes in a timely fashion and alter the calendar in a way that respects the needs of all team members. A calendar negotiated between Marketers, Engineers and Management is essential. The new plan is to have the faculty provide an initial calendar. Students will have to adjust the calendar to accommodate their iterations. Iterations occur at any time and students need to be prepared to be flexible. A group ahead one week can be sent back by knowledge gained. It is important to impress upon students the value of iteration. Only failed products are developed without iterations.

Class time

Some students feel that they have paid for a course in subject A and do not want to bother with subject B. The faculty will have to work on the amount of time in each subject for each student. If the business course is again loaded with engineers, the faculty will have to work harder to ensure that enough marketing background is covered. One of the ways of correcting this situation is to offer an early review of prerequisite marketing expected in the course.

CONCLUSIONS

Parallel coursing opens the doors to more cross-disciplinary work in separately accredited schools. It allows educators to bring real world

situations into the classroom. It allows teaching what the job market needs. It works especially well with experiential learning. It allows the professional school to meet the current calls for interdisciplinary work in new ways.

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INTRODUCTORY ACCOUNTING AS AN EXAMPLE OF A HYBRID COURSE

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ABSTRACT

Hybrid courses are growing in popularity by taking advantage of the best of traditional face-to-face instruction and online instructions. This paper describes applying the hybrid method to an introductory accounting course.

INTRODUCTION

Technology is one of the major impetuses of change in the delivery of education today. Everywhere you look there are articles, workshops, and conferences on an educational topic related to technology. There are two major reasons that this is true.

First, technology is becoming so integrated into normal, everyday life that it would make the education environment seem archaic not to incorporate the tools of technology used by nearly all young people in their everyday lives and especially those used by working adults in their roles on the job. These tools include basic communication capabilities of e-mail, research tools and information available on the Internet, and general access to a wealth of capabilities previously limited to telephones, postal services and libraries, just to name a few. Current and emerging technologies are so common in everyday life, and so powerful in bringing value-added information to our fingertips, that it would be a serious disservice for education not to incorporate the tools of technology into the education process.

Second, the tools of technology have proven to be powerful facilitators in the many pedagogical changes in education over the past ten-plus years. Most of the new pedagogies can be delivered and enhanced with the use of today's technological tools.

Much in contemporary pedagogy has taken the focus away from teaching and placed more emphasis on learning. We have known for a long time that there are many diverse learning styles. These styles result from different senses, different motivations, different past personal experiences, different technology skills, etc. In addition, there is passive learning and active learning. It is important to understand why these differences exist, but it is

more important to understand that they do exist and to address these differences in how we help people learn. Most importantly we must provide an educational environment in which all students learn. Meeting the needs of diverse learners and incorporating technology into our pedagogy can complement each other. The proliferation of technology and our understanding of differing learning styles should lead us to contemporary methods of delivering higher education, and tools and methods which will increase our teaching effectiveness.

ONLINE COURSES

Today there is much focus on online courses that are conducted over the Internet with the aid of course management tools. Online, web-based communication has attracted the attention of educators and trainers to the idea of new delivery methods in a way that no earlier technology managed to do. These courses are generally delivered by easy-to-use course management software such as Blackboard or WebCT, and more recently Desire-to-Learn. These systems are secure and allow the instructor to manage individual offerings of the course. Electronic mail enables students to communicate with the instructor and with other students. Automated testing enables the instructor to quickly assess each student's performance. Best of all, coursework can be individualized to fit each student's needs. Other benefits include readily accessible information such as online gradebook, handouts, and other course information.

Experience has taught us that, in order to be successful, these courses must be structured enough to require interaction among students and instructor and progress on a schedule similar to a traditional in-class course. The student benefits from increased understanding through repeated learning and

assessment opportunities online. Utilizing the course management software, students can communicate easily with each other in the discussion area, getting questions answered and learning about each other. The greatest challenge in this delivery of a class is the difficulty to motivate students without the face-to-face interaction of the classroom.

Research has concluded that conventional instruction is perceived to be better organized and more clearly presented than online courses. Generally, good online teaching practices are fundamentally identical to good traditional teaching practices and those factors that influence good instruction are universal across different environments and populations. Online learners, like traditional learners, require support and guidance to make the most of their online learning experiences. This support typically takes the form of some combination of student-instructor and student-student interaction. Research findings on the need for interaction have produced some important guidelines for instructors of online students. One important conclusion is that learners are more motivated if they are in frequent contact with the instructor.

Research that compares traditional face-to-face instruction with online instruction indicates that online courses can be as effective as traditional instruction when the method and technologies used are appropriate to the instructional tasks, there is timely instructor-to-student feedback and there is student-to-student interaction.

THE HYBRID MODEL

One of the latest innovations in education delivery methods is the Hybrid Model. The Hybrid Method is an evolving pedagogy that incorporates a combination of in-class face-to-face (F2F) discussion and time-out-of-class (TOC) activities. It is a "hybrid" of a traditional and an online course approach. This concept is a loosely defined approach that requires the course to be some amount of traditional in-class meetings, complemented by an on-line component of the course. It allows the instructor to use technology to complement traditional pedagogy in delivering a course. The proportion of in-class versus on-line activities can be determined on a course-by-course basis. What is appropriate will vary by the nature of the course and the teaching style of the instructor.

The strength of the Hybrid Model is that it allows the instructor to draw on the best of both approaches. Technology offers choices for the

course management software used in conducting a distance learning course or the TOC portion of a hybrid course. The TOC allows the instructor to address the various learning styles of students with supplemental lessons that present the same principles in a different manner, including animations and graphics. It allows students to ask for clarification of an assignment or a concept through e-mail or a discussion forum when they may not be inclined to raise the same question in front of the entire class. They seem to have more incentive and opportunities to participate in an online environment. Students are also more likely to disagree with each other in a discussion forum. The F2F portion maintains the sense of community between student and instructor and among students. After breaking the ice online, students are more likely to question, correct and critique each other during in-class discussions. Students seem to appreciate the variety of learning modes and the liveliness of the web site. The use of technology in education is a foregone conclusion. Students who have grown up in the computer age expect to learn the technology and to use it to learn. Computer literacy is expected and a natural part of course delivery.

Although hybrids have proven to be generally successful, they have one limitation when compared to an online course. The hybrid course is still delivered only to a student body that can attend the in-class portion of the course.

Even though technology available to educators has had explosive growth, knowledge of how to best apply different technology tools lags very far behind the power of these tools. The hybrid approach addresses the challenges of the face-to-face interaction needed to motivate students. The F2F/traditional session gives the opportunity for direct instructor-student interaction and allows students to know fellow students they are interacting with online. Combining the F2F component of a hybrid with the online for the TOC component brings together the best of each model. It allows the convenience and freedom to work at an individual pace without losing the structure of a course and the interaction needed among the aspects of instruction and among students. The combination of the F2F and TOC helps students to become more responsible for their own learning experience.

WHY INTRODUCTORY ACCOUNTING

An Introductory Accounting course for non-traditional students is a good candidate for a hybrid

course. There are a number of reasons why this is true.

First, generally nontraditional students bring good organization skills and a serious commitment to the courses they take. This means they will utilize the TOC activities to the extent necessary to achieve the learning outcomes. Being able to schedule the TOC activities when it is most convenient for them, rather than at the normally scheduled class time, is an accommodation for students who have a number of other responsibilities. If they have to travel for work, they can often do the TOC portion of class from wherever they are, or they can do it at unusual hours. Blackboard's research indicates that students access the online portion of their course most frequently between 8 p.m. and 10 p.m. and on weekends.

Perhaps more importantly, large portions of non-traditional students have work experience that has exposed them to accounting topics and issues. They have a working framework in which to apply the concepts of introductory accounting and accomplish the desired learning outcomes. This lends to a good environment for independent learning as a significant portion of the course.

The desired learning outcomes for Introductory Accounting are:

1. Understanding of the Accounting Process
2. Understanding of Accounting Concepts
3. Accounting Vocabulary
4. Ability to record basic accounting transactions
5. Ability to prepare Financial Statements

Each of these outcomes can be achieved by combining F2F traditional techniques with appropriate complimentary TOC activities.

IMPORTANT CONSIDERATIONS FOR A HYBRID COURSE

There are many considerations that are important in choosing a course to be delivered as a hybrid and what portions of the course to develop online. Three important suggestions for incorporating online portions into a course are:

1. Keep the online elements to a manageable size.
2. Do not plan things too specifically the first time.
3. Keep things simple.

These suggestions are especially important the first time a hybrid course is offered. It is important to solicit student feedback in order to offer a successful course. It serves as a reality check and allows the instructor to make appropriate adjustments to the course. Probably the most important consideration, relative to the hybrid delivery, is whether the TOC portion of the course effectively supplements the F2F portion. The TOC and F2F should work together to achieve the desired learning outcomes.

Student surveys indicate that flexibility is typically the aspect of a hybrid course they like the most. Students also like being able to access their grades online and they like being able to review the online material as many times as they choose.

ORGANIZATION OF INTRODUCTORY ACCOUNTING AS A HYBRID COURSE

It is important to carefully design which portion of the course to retain as F2F and which portion to move to the online environment. One important consideration is currently available online resources, and the ability to develop other necessary online activities. For Introductory Accounting, online learning activities for students to complete as a demonstration that they have achieved stated learning outcomes when they complete the course are:

1. Reading assignments on the topic of each unit
2. Tutorials related to the topic of the unit.
3. Exercises related to the topic of the unit.
4. Assessments to measure success of the current unit.

It is important to have the right balance of online activities, enough to reinforce the learning outcome, but not too much to result in unproductive "busy-work."

There are several ways to help ensure success in the TOC portion of the class. In addition to having good materials, it is important that a student online learning community is developed. Some activities for this purpose are:

1. Training on the usage of the course management tool to be used.
2. An icebreaker designed to aid students in getting to know one another.
3. Instructor-initiated discussion boards on the topics of the current unit

Discussion boards need structure and monitoring to get students to participate and to be

effective. This is best accomplished by requiring students to both post a comment on the discussion board and to respond to fellow students' comments. It also helps to be sure there is enough information on which to base the discussion. Directions should be clear and early enforcement of the directions is helpful. A rubric for grading of discussion board participation should be established. A simple rubric such as the following can be used:

3 points	Shows a mastery of the material through extensive comments supported by evidence from course materials.
2 points	Extensive comments, but not a mastery of the material.
1 point	Minimal participation or comments
0 points	Failure to participate, off-topic or negative comments

Ways to foster student time management include stressing importance of time management, providing clear instructions on and enforcement of frequent deadlines, and frequent assessment of learning outcomes.

The Introductory Accounting course is organized into units. Each unit is comprised of the following:

1. (TOC) A reading assignment on the topic
2. (F2F) Class meeting where the topic is presented with examples and discussed.
3. (TOC) On-line exercises, tutorials, and self-assessments on the topic.
4. (F2F) In class assessments, i.e. quizzes and exams on the topic.

The five units for this course are:

<u>UNIT</u>	<u>SUBJECT</u>	<u>WEEK</u>	<u>CONTENT</u>
I	Overview of the Accounting Process	1	Introduction to Financial Statements
		2	A Further Look at Financial Statements
		3	The Accounting Information System
II	Accounting Concepts	4	Accrual Accounting Concepts
		5	Merchandising Operations
		6	Internal Control and Cash
III	Assets	7	Reporting and Analyzing Inventory
		8	Reporting and Analyzing Receivables
		9	Reporting and Analyzing Long-Lived Assets
IV	Liabilities & Capital/Equity	10	Reporting and Analyzing Liabilities
		11	Reporting and Analyzing Stockholders' Equity
		12	
V	Cash Flow & Other	13	Reporting and Analyzing Investments
		14	Statement of Cash Flows
		15	Financial Analysis: The Big Picture

FINAL COMMENTS

The most important factors in the first-time offering of a hybrid course are keeping the delivery simply and being flexible and ready to make changes. Close monitoring of progress in the course and early and frequent solicitation of feedback is necessary and will be helpful. In addition to being available for questions and feedback on short notice, it is also important for the instructor to encourage students to work together and answer each other's questions.

There are several sources available for support. The Hybrid Method of delivering a course is being widely explored and experimented with. There are several online resources available and most instructors utilizing this method are happy to share their thoughts and experiences in the interest of contributing to the growing use of technology as a means to improve pedagogy.

FINANCIAL ANALYSES OF MARKETING PLANS

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ABSTRACT

This teaching supplement helps students with profitability analyses for the strategies they recommend in case reports or marketing plans. The approach emphasizes marginal analyses with estimated product margins, breakeven calculations, sales change estimates, and additional profitability projections. Included is a unique breakeven formula developed for evaluating a price change strategy.

INTRODUCTION

A major problem in teaching marketing strategy is getting students to evaluate their proposals with financial analyses. The essential and final element of strategy evaluation is profit projections. Hence, the instructor's question to students is often "If you think this proposal will increase sales by ten percent, what additional profits will be generated?" Most marketing students hate this question. They don't want to do the numbers, responding typically with "That's why I chose marketing over finance." They usually don't like to forecast sales either. They have been taught both breakeven and sales forecasting procedures, but they hope they will never actually have to do them and are at a loss when faced with the tasks in the capstone strategy course.

This teaching supplement encourages simple judgmental sales forecasting and demonstrates breakeven and projected profit calculations. The examples employed are for promotional strategies and price-cutting strategies since they are most popular with students. The breakeven formula for a price-change strategy presented here is thought to be unique, filling a void in the students' financial evaluation toolbox. A teaching note at the end provides problem solutions, suggestions for using the exercises, and a list of additional resources for the instructor. The teaching supplement can be attached to the instructor's syllabus.

Breakeven Quantity: the additional unit sales needed to justify the promotion.

$$Q_{BE} = \frac{\text{Non-variable Expenditure}}{\$ \text{Contribution Margin}} = \frac{\text{Promotion Cost}}{P - UVC}$$

Dollar Contribution Margin (\$CM) is the amount contributed to non-variable (fixed or overhead) costs or profit by the sale of one additional unit. It is the price of the unit less the unit's variable cost (UVC),

TEACHING SUPPLEMENT: MARKETING FINANCIAL TOOLS AND EXERCISES

Breakeven Analysis for a New Promotional Strategy

A promotional expenditure is an investment intended to produce sales. It is a non-variable expense, i.e., a sunk or fixed cost. The money is spent and the firm hopes to see a sales increase as a result of that expenditure. The approach is marginal: "What are the additional sales generated and the additional costs incurred?" It is difficult to attribute a quantity of sales to any single marketing mix element. Experiments can be conducted to determine with some precision the sales attributable to a new promotion, but generally the manager relies on judgment or uses a sales tracking device to connect the sales to the promotion. When considering a new promotional expenditure, we calculate the additional sales needed to justify the expenditure and compare that to our forecast of additional sales produced by the promotion. For calculating the minimum sales needed to justify the expenditure, we use breakeven analysis, based either on quantity sold or revenue received. The profitability of the expenditure is determined by the expected sales beyond the breakeven point.

where UVC is the out-of-pocket costs of producing and delivering that unit.

Promotion example A: An ad costs \$500 to run. The price of the product is \$10. It costs \$4 to

produce one more unit of the product, \$1 to ship it, and the sales rep receives 10% or \$1 for the transaction. The non-variable cost is \$500, the UVC is \$6, and the \$CM is \$4 (\$10 - \$6). Therefore the promotion must generate sales of an additional 125 units (\$500/\$4) to cover its expense. If 200 additional units are sold, then the \$500 promotion is

well justified since it paid for itself (\$4 x 125 units) and contributed another \$300 (\$4 x 75 units) to other non-variable costs, or it contributed \$300 in additional profits if the other non-variable costs are already covered and the product is therefore profitable. The return on this advertising investment then is \$300/\$500—a 60% ROI.

Breakeven Revenue: the additional sales in dollars needed to justify the promotion.

$$R_{BE} = \frac{\text{Non-variable Expenditure}}{\% \text{ Contribution Margin}} = \frac{\text{Promotion Cost}}{1 - \%UVC}$$

This approach is preferred if the promotion impacts a variety of products the firm sells. For the percent contribution margin (%CM), compute UVC as a percentage of the selling price for a single product or as a weighted average for a product line.

has a higher margin and is contributing more from each unit sold to the recovery of the expenditure. If the second product had a low %CM of .20, then the revenue needed would be much higher—\$2,000 in this case.

Promotion example B: In the single product situation of example A above, the %CM is $1 - \$6/\$10 = .40$. The additional sales revenue needed to break even on the promotion is $\$500/.40 = \$1,250$. (At a \$10 price, this again is 125 units as previously calculated in A.) If the promotion also impacted a second product that had a 60% CM and sales level three times that of the first product, then the combined weighted average contribution margin for the two products would be $.40(.25) + .60(.75) = 55\%$, and the additional sales revenue needed to break even would be $\$500/.55 = \909 . This amount is less than for the first product alone since the second product

Breakeven Analysis for a Price Cut Strategy

Cutting price results in a loss of contribution margin. Therefore, more units must be sold to make up for the smaller margin, which is what is expected with a price-cutting strategy. The question is, “How much must sales increase to justify the price cut?” To maintain the same profits we need the same total contribution ($\$CM \times Q$) from the new price as from the old price to cover non-variable costs and profits. This can be calculated with a breakeven formula.

Total Contribution = Old \$CM x Old Q = New \$CM x New Q
(where CM is contribution margin and Q is quantity sold) Therefore:

Old \$CM/New \$CM = New Q/Old Q
(or the ratio of New Sales Quantity to Old Sales Quantity needed to maintain profits)

Pricing example A: A \$10 product has sales of 1,000 units and UVC of \$5, therefore its contribution margin is \$5 and its total contribution to non-variable costs or profit is \$5,000. If the product’s price is cut to \$9, then its \$CM drops to \$4 and its unit sales must increase 25% to generate the same total dollar contribution to non-variable costs and profits ($\$5/\$4 = 1.25$). With a \$4 CM sales must move to at least 1,250 units to generate the same \$5,000 contribution to non-variable costs and profits. The question then is, “Will the \$1 price cut increase sales by at least 25%?” “What does the demand curve show?”

a price cut must be larger. Suppose the old price is \$10, UVC is \$7, and the sales are 1,000 units, producing a total contribution of $\$3 \times 1,000 = \$3,000$. At a price of \$9, the CM is now just \$2 and 1,500 units must be sold (a 50% increase!) to produce the same \$3,000 contribution to non-variable costs and profits.

Pricing example B: If the product has a smaller margin, then the sales increase resulting from

Pricing example C: This works in reverse as well. If you increase your margin with a price increase, the equation indicates how much sales can drop before a loss in total contribution is realized. If the contribution margin increases from \$4 to \$5 due to a one dollar price increase, then the ratio is .80, indicating that a loss in quantity sold of less than

20% would be profitable ($\$4/\$5 = .80$). If the product's original price of \$10 is increased to \$11 with UVC remaining at \$6, then the product's original sales level of 1,000 units can drop to 800 units before the product's \$4,000 total contribution is damaged. If sales drop to just 900 units, then total contribution is \$4,500 and the price change is profitable by \$500.

Price cuts require great optimism in their effects. In the A and B examples, sales must increase by more than 25% and by more than 50%. Such large sales increases likely would require significant new investments in the firm's capacity to produce and deliver product, unless the company has substantial excess capacity. If new investments are needed, the sales increases must be even higher to cover the additional non-variable expenditures. Also, with higher production schedules variable costs may drop. To capture these possibilities a pro forma income statement should be constructed as suggested in the next section.

A reduction in contribution margin can result from other marketing strategies—strategies that increase variable costs. Examples might be improved quality control, new packaging, faster shipping mode, or a larger sales commission. The same financial analysis would be done for these actions. They all should produce sales increases. In fact, they may actually support a price increase as well, which would require a number of demand curve analyses with different price possibilities.

Income Statement Analysis

A company's income statement can be analyzed to estimate the variable costs incurred in supplying a given sales increase. Also, a pro forma (projected) statement can be drawn up to capture the impact of the additional expenditure and the resulting sales on company profits. Reviewing the statement helps to identify other expenditures that might be impacted by the higher sales and production levels. Again, some non-variable costs may increase and some variable costs may decrease as the company takes advantage of volume purchasing or more efficient manufacturing processes.

The first task in analyzing an income statement is to identify the variable costs that will be incurred in supplying an increase in sales. They might include raw materials and parts, extra labor, shipping, order processing, sales commissions, and licensing fees. Some businesses have very low variable costs. A computer software company can send a software package over the Internet for virtually nothing, and a baseball team can put more fans in the stands for virtually nothing. Their margins are close to 100%. On the other hand, an auto dealer often has less than a 15% margin on a car's sticker price, and less than that when a deal is made. The second task is to identify any non-variable costs that may increase (in a lumpy fashion) if the additional sales are substantial. Again, these might include a larger facility, another production line, more inventory, or additional staff. A case is presented to illustrate the impact of marketing strategies on the income statement.

Mario's Subs

The income statement that follows is for a fictional company, Mario's Subs—a small fast-food sandwich shop located in a strip mall on the corner of a busy crossroads. Mario's Subs is part of a national chain and this store is owned by franchisee Ole Olson. As a franchisee, Ole pays the Mario's chain a percentage (7%) of his sales for the promotional and management services provided. In addition to rent, he also pays the strip mall owner a percentage (1%) of sales for the parking and mall promotional services provided. The shop is making a profit for Ole, but he believes he can do better. His shop sells about 280 sandwiches a day and a typical sale includes chips and a drink for \$5. The shop is staffed by a manager and two hourly workers who are capable of assembling and selling 120 sandwiches per hour at peak times of the day. Ole estimates the present staff could handle a daily volume of 400 sandwiches with no additional expenditures. Beyond that, he would need to hire more workers and install another sandwich assembly bar. Ole pays himself \$40,000 per year for his part-time supervisory role as President. (He owns several other shops as well.) He gives his manager a salary plus a yearly bonus based on the previous year's profits. He sets his local advertising budget at 5% of sales.

Income Statement

Ole's "Mario's Subs"

2003

Sales	\$500,000	100.00%
Food Costs	150,000	30.00
Food Packaging Supplies	10,000	2.00
Hourly Wages and Taxes	90,250	18.05
Services, Insurance, etc	14,000	2.80
Rent and R.E. Taxes	13,750	2.75
Utilities	7,500	1.50
Advertising	25,000	5.00
Mall Membership Fee	5,000	1.00
Mario's Subs Royalties	35,000	7.00
President Salary and Taxes	45,500	9.10
Manager Salary and Taxes	54,000	10.80
Store Profit	\$50,000	10.00%

Ole's Problem #1: Ole's wife Lena has been suggesting that his sub shop needs better signage, that people cannot see the store itself from either street, and that the strip mall's sign listing the stores gets little notice. Ole could install a large lighted sign at the corner at a cost of \$20,000. The life of the sign is at least ten years—the period over which Ole would amortize its cost at a rate of \$4,000 per year (including interest charges). How much additional business—in customers and dollars—must the sign generate for Ole to justify its yearly expense? If the sign increased Ole's business by 10%, how would Ole's bottom line look?

Ole's Problem #2: After taking a marketing course at the local university, Lena questions Ole's five-percent rule for budgeting advertising. She argues that if Ole spent another \$8,000 on radio ads suggesting that work groups send someone to pick up large phoned, faxed, or e-mailed orders at lunchtime, the store would increase sales by 10% and profits by \$20,000 per year. (Lena wants to buy a timeshare condo in Florida.) If Lena's sales forecast for the radio ads is correct, is she also correct about the new profits?

Ole's Problem #3: Lena is thinking that Ole should keep the store open another four hours a day to take advantage of the late night crowd which often looks for a quick bite and coffee after an evening at an event or at the bars. (Lena also wants a lake home

up north.) Ole would hire an assistant manager and another hourly worker for this and also do some advertising promoting the new hours. He thinks he would only need to change the content of his present ads, and therefore the additional cost would be in personnel at approximately \$24,000, cleaning/trash services at \$2,000, and utilities at \$2,000. Ole says he would expand the hours if the venture would increase his profits by \$20,000. How much business must the late hours generate to fulfill Ole and Lena's plan?

Ole's Problem #4: A student group taking a marketing class at the nearby local university developed a marketing plan for Ole. The group's principle recommendation is to give students a 10% discount on their purchases. Their research indicates that one-fourth of Ole's sales come from students and they forecast that student sales would increase 20% with the discount. Should Ole implement the students' recommendation?

After analyzing the four marketing strategies presented to Ole, how would you rank them? Which is most likely to succeed?

If Ole would undertake all the proposals here, the resulting sales might exceed his present capacity. To analyze the total impact financially he would need to forecast all the sales increases and determine whether more capacity would be needed

such as a second sandwich production line and an extra assembler. A pro forma income statement then would reflect the new revenues, any new investments in capacity and related expenses, and new marketing expenditures. The new profit projection must meet Ole and Lena's expectations.

With the exception of the new sign, the sales produced by each of the above marketing actions can be traced. Large lunch sales can be gleaned from the daily sales records and attributed to the radio ads. Sales can be recorded by time of day and the late evening sales totaled. And, the register will record the 10% discounts to the students. The remaining sales increase might then be attributed to the sign. Ole should have a good idea of the actual profitability resulting from each of his actions if he undertakes them.

TEACHING NOTE FOR "MARIO'S SUBS"

The case offers several advantages:

1. It engages the students. A sub shop was chosen because the students are likely to have some familiarity with fast-food outlets, the operation is simple and local, and the numbers are small. The students can see what impact incremental sales have on the bottom line and they enjoy evaluating the proposed strategies. Retail work is less distasteful to them after they see how they can improve the profitability of an operation. Building ownership in a chain of six shops would generate over a half-million dollars in income for the marketing graduate.
2. The instructor can discuss the various costs involved in an operation and determine whether they are variable or non-variable. Contrary to common notion, students come to understand that advertising is not a variable cost and that some typical variable costs such as labor may not be as well. If the sales increases do not exceed 50%, the variable costs in this case are food, food packaging, mall membership fee, and Mario's Subs Royalties. These total 40% or \$2.00 of the typical \$5.00 sale, resulting in a contribution margin of \$3.00 on a sale. The numbers for this case were taken from an actual sub shop's income statement. The percentages on the income statement are there to shorten calculation time and facilitate discussion about variable and non-variable expenses. At this point the instructor can move into identifying typical

marketing costs for companies and discussing whether they tend to be variable or non-variable. This might include actual income statements and how the student can estimate product margins from them. This should include discussing the problem of analyzing the typical "Cost of Goods Sold" section where all the production costs, both variable and non-variable are lumped together and thus appear to be entirely variable.

3. The case illustrates the impact of marketing strategy on the bottom line, that profits increase much faster than sales once non-variable costs are covered. For example, in Ole's Problem #1 sales are forecasted to increase by 10%, which would result in a 52% increase in profits. If you ask students what a company's profits would be if sales doubled with no increase in non-variable expenditures, they will simply double the present profit level, when in fact the actual profit increase is much higher. If Ole's sales could double with no increase in non-variable costs, his profits would go from \$50,000 to \$350,000. A \$300,000 increase in contribution provides a strong incentive and budget allowance to achieve that sales increase.

Answers to Ole's Problems

Ole's Problem #1: Divide the \$4,000 yearly expense by \$3.00 or by .60. Thus, 1,334 additional meals must be sold, producing additional revenue of \$6,667. For perspective, the sign must pull in less than four additional meals per day—a 1.33 percent increase in traffic. If the sign generates a 10% increase in sales, then profits go from \$50,000 to \$76,000 for a 52% increase. Demonstrate this by showing the changes in the income statement, and also by showing that the sign will sell 8,666 meals beyond its breakeven quantity at a unit contribution of \$3.00 for a total contribution \$26,000 to profits.

Ole's Problem #2: Here the investment is simply twice that of Problem #1, so the profit contribution is \$4,000 less. Lena is correct; profits increase by \$22,000. Will the workday ads sell at least 11 meals a day and hopefully 40 meals per day over 250 work days a year?

Ole's Problem #3: Additional non-variable costs total \$28,000, and Ole wants at least \$20,000 in additional profits, so \$48,000 must be covered. At \$3.00 per sale contribution, 16,000 late-night meals

must be sold. This is about 44 meals per evening, or 11 per hour. Is this likely?

Ole's Problem #4: With the 10% discount, the sale price drops from \$5.00 to \$4.50 and the margin drops from \$3.00 to \$2.50. Since $\$3.00/\2.50 is 1.20, a sales increase of 20% is required to just break even on the strategy. Student sales must go from 25,000 to 30,000 meals per year. The instructor can show that the total contribution is the same: $\$3.00 \times 25,000 = \$2.50 \times 30,000$. Since this breakeven increase is exactly what the students forecast, Ole will not be interested in their proposal. A larger response from students would be needed to generate significant profits. For example, a 40% increase in sales to students would generate $\$2.50 \times 5,000$ units beyond the breakeven point for \$12,500 in additional profits.

Students typically prefer the new sign and work-group lunch order advertising proposals. Some believe the late-evening proposal will work, but most do not. This is good time to point out that they are using judgmental forecasting—the most-used forecasting technique in business. This is also a good time to talk about marketing mix interactions. Might the new sign and the new advertising together produce more than a 20% increase in sales? Would

the new sign enhance the late-evening business more than the day business?

A useful teaching technique is to write on the board for each problem solution a small, marginal income statement listing the incremental revenue, the incremental variable costs incurred, the resulting total contribution, the additional non-variable cost (possibly none with a price change strategy), and the bottom line—additional profits. The students get accustomed to this and use the format when justifying their case recommendations.

Additional Resources Available

The author has developed other, more demanding problems. One requires the formulation of multiple strategies involving pricing and promotion, and forecasting different demand curves due to the different promotional strategies. Another problem set involves a motorcycle dealership operated by fictional Marketing Professor Beau Leggs. A third set relates to a new marketing simulation, *Merlin*, developed by colleagues and available from McGraw-Hill. Lastly, the author has developed a multiple-choice financial analysis test that can be used at the end of these practice sets and before the students tackle cases or a simulation. He can be contacted at jerry.stiles@mnsu.edu.

REPUTATION BUILDING FOR RETAILERS

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ABSTRACT

Retailers depend on customers for their livelihood. This article presents a review of the reputation literature, and proposes an extended model of reputation building adapted for retailers. The extended model incorporates retailer actions, the presence of brands, and the role of consumers. Reputation-building activities of the retailer included in the model consist of the following:

1. Quality assurance (guarantees, warranties, return policies, quality control activities);
2. Specific performance (reliably carrying out promised actions and obtaining promised merchandise);
3. Branding (carrying well-known, trusted brands and/or developing store brands);
4. Goodwill (an accounting figure, or establishing a beneficent presence in the community, such as Target giving 5 percent of its profits back to local communities);
5. Consistency over time, so that past actions become a useful guide to future behavior and become a quality signaling activity;
6. Social responsibility (an atmosphere friendly to the environment, the family, and the community);
7. Legitimation activities (credentialing, licensing, certification);
8. Fair dealings with vendors (ethical treatment of personnel, merchandise, and efficient transaction processing);
9. Public observability (meeting obligations, commitments, and legal requirements; especially critical when negative incidents such as product recalls and product tampering occur); and
10. Encouraging return visits (strategic use of promotion mix to increase the frequency of customer contacts in order to reduce the fragility of reputation).

The extended model also includes direct and indirect credibility transactions from the consumer's point of view. Each time a shopper enters a store, an opportunity exists for the store's reputation to be reinforced or changed. Communication from others about the store may also play a role. Indirect credibility transactions may occur via word-of-mouth communications, or hearing media reports about the company. The retailer can improve the likelihood of positive messages by consistently carrying out the reputation building activities mentioned above.

Finally, firm-level outcomes consist of reputation production and reputation maintenance. New firms are faced with the task of reputation production. Reputation improvement can also be part of a rebuilding process, and should be part of a reputation maintenance strategy as well. Reputation building activities serve in the long run to lessen negative encounters, mitigate negative communications, and enhance this important strategic asset.

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AN ANALYSIS OF SMALL BUSINESS USAGE OF THE INTERNET FOR BUSINESS RELATED ACTIVITIES

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ABSTRACT

This paper reports on usage of the Internet for business-related activities by a national sample of 752 small businesses. Uses such as email communication, purchase of goods or services, financial activities, bidding on contracts and using the Internet for research are the business activities, which are examined.

INTRODUCTION

There appears to be general consensus that technology and the Internet (a subset of technological innovation) have fuelled much of the recent gains in productivity in the economy. Some would suggest that these technology-driven productivity gains are a significant contributor to the "so-called jobless economic recovery". There have been major structural shifts in the economy, which include loss of manufacturing jobs, downsizing of large corporations and a proliferation of entrepreneurial companies. In recent years there is also an increasing exportation of service and technology jobs to India and China. Since small businesses appear to be a more likely source of job growth and innovation in the U.S. compared to the large multinationals, it should be apparent why we need to study and understand more about the usage and role of technology in small business and entrepreneurial ventures in the U.S. While technology may inhibit job growth in large organizations, it may actually fuel the formation and competitiveness of newer and smaller ventures, which may positively impact the economy and job creation.

LITERATURE

The literature cited is tangential to the subject, since there is very little information on this specific topic in the academic literature. The literature offers cases of small businesses using the Internet (da Costa 2001; Roberts 1999). There is also Internet related research, which studies businesses in general (i.e. without any particular focus on the size of the business). Ensor (2000) suggested that Internet sales statistics were part of "an investor's guessing game". Kim, Lee and Han (2002) proposed a model for measuring e-commerce or metrics for what they described as "the architectural quality of Internet businesses." Durkin and McGowan (2001) examined

the importance and role of the Internet in the marketing activity of entrepreneurial firms. Mohan-Neill and Bogetz (2003) analyzed the use of Internet technology such as websites in the dental practice industry. What is missing is a general overview of what has occurred across the landscape of a national sample of small businesses.

RESEARCH OBJECTIVES

Using data from a national sample of small businesses, this paper focuses on the following specific research issues:

- What percent use the Internet for business-related activities?
- Does overall Internet usage for business-related activity vary with the size of the firm?
- What are the specific online business-related activities and their usage ranking?

As a first paper using this database, there are no grand theories proposed here. The author subscribes to a scientific mode of theory building, which relies on actual data. In other words, let the data tell its story, and as pieces are integrated, theory can be constructed which has some basis in reality versus attempts at academic pontification.

METHODOLOGY

A descriptive survey design was employed, and data was collected from a stratified random sample of U.S. small businesses. The sample size was 752 companies.

Sample Design

A national stratified random sample of small businesses was drawn from Dun and Bradstreet files

in 2001. Since over 60 % of employers have between 1-4 employees, a simple random sample would not yield a large enough representation of “larger” small employers. Small business is defined as any firm with 1-249 employees. The total small business sample was stratified into 3 groups (See Figure 1). The smallest firms have between 1-9 employees and they represent a total of 352 (47 %) firms in an overall sample. The intermediate size firms (those with 10-19 employees) comprise 200 (27%) of the overall sample. The largest of the small business in the sample (with 20-249 employees) comprised 200 or 27 percent of the overall sample.

Data Collection

The data was collected by the executive interviewing group at the Gallup Company, on behalf of the National Foundation of Independent Businesses (NFIB), and was funded by a number of corporate benefactors.

RESULTS AND DISCUSSION

Use of the Internet for Business Related Activities

Figure 2 illustrates that overall 59 percent of small businesses are using the Internet for business related activities.

Figure 1. Sample Distribution based on Number of Employees

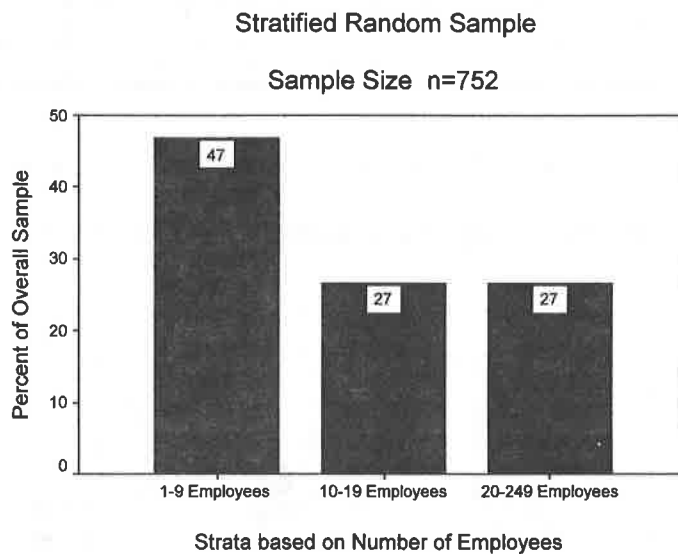


Figure 2. Overall Internet Usage by Small Business

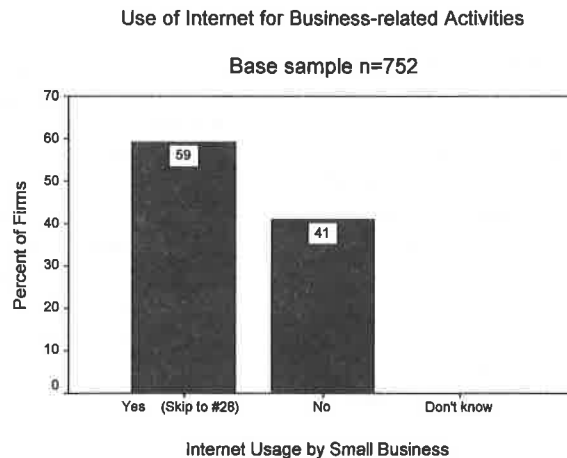


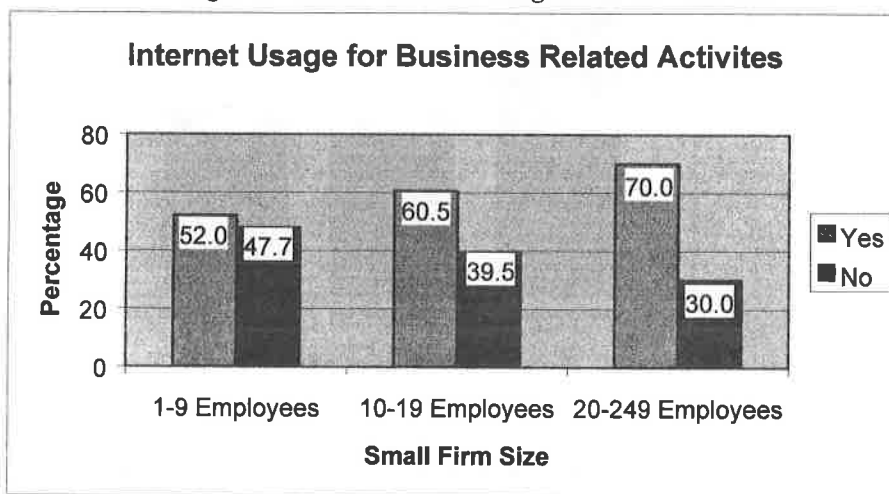
Table 1 and Figure 3 present the data regarding the influence of firm size on the usage of the Internet for business related activity. It appears that size of firm does have some influence on the overall usage of Internet for business related activity. For example, 70 percent of the largest firms (with 20-249 employees) used the Internet for business related

activity, while only about 60 percent of intermediate size firms (with 10-19 employees), and 52 percent of the smallest firms (with 1-9 employees) reported such usage of the Internet. So, firms with more employees reported greater percentage of overall Internet usage for business activity.

Table 1. Internet Usage based on Firm Size

Internet Usage for business related activities	1-9 Employees		10-19 Employees		20-249 Employees	
	Number	Percent	Number	Percent	Number	Percent
YES	183	52.0 %	121	60.5 %	140	70.0 %
NO	168	47.7 %	79	39.5 %	60	30.0 %
Don't know	1	0.3 %	-	0.0 %	-	0.0 %
TOTAL	352	100 %	200	100 %	200	100 %

Figure 3. Relative Internet Usage based on Firm Size

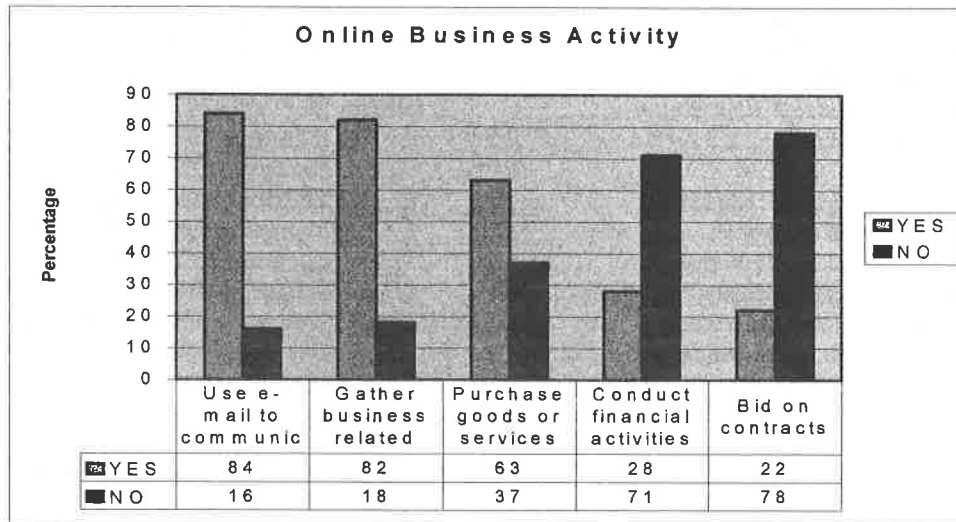


Specific Online Business Related Activities by Firms

Figure 4 presents a graphic representation of the specific business activities conducted by small business firms, and it also illustrates the relative frequency or usage of those activities. The most widely conducted activity by firms is the use of e-mail to communicate with customers, suppliers and other business contacts (84% of all firms). The second most popular use (82%) is to gather business-related information. Mohan-Neill (1995) discussed

how cost and resources constrained smaller firms from market scanning activities in the past. The high percent of firms currently conducting this activity illustrate the overall utility of the Internet for small business to conduct research online. About 63 percent of firms reported purchasing goods and services online. Only 28 percent reported conducting financial activities online and bidding on contracts online had the lowest usage rate (22 percent) of the 5 activities examined.

Figure 4. Relative Usage of Specific Online Business Activities



CONCLUSION

Based on a national sample of small businesses, almost 60 percent of firms reported using the Internet for business related activities in 2001. Larger firms were more likely to use the Internet for business related activities; 70 percent of firms with 20-249 employees reported using it versus 52 percent of firms with 1-9 employees. The highest overall usage was for email communication with customers, suppliers and other business contacts (84 % of the entire sample reported email usage). Bidding on contracts online was the least frequent activity reported (22 %).

LIMITATIONS & FUTURE RESEARCH

This paper presents a few snapshots of an ongoing “documentary” of how small business are utilizing technology and the Internet. It contributes to the story, but it is only a small segment of a much larger picture. The advantage is that the data is from a

fairly substantial national sample of small businesses (n=752), versus a small convenient sample. Stratification of the sample based on number of employees also contributes to a more balanced view. The major disadvantage is that it is cross-sectional data and it is a snapshot of businesses in 2001 when the data was collected. Due to the changes in both technology and the adoption of technology, it highly likely that later data will reveal an increase in activity.

Additional papers are being developed for presentation and publication on other parts of this small business and the use of technology story. The hope is that as more pieces are examined and then integrated, we will have a better understanding of how technology, firm characteristics, owner profile and other contextual factors contribute to the entrepreneurial tapestry, which is at the foundation of the economy.

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EDUCATION AND TRAINING NEEDS OF A SOUTHERN STATE'S LOGISTICS INDUSTRY

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ABSTRACT

The authors surveyed transportation/logistics firms in Louisiana regarding their employees' education and training needs. General management skills were ranked higher in terms of need than specific logistics training skills. Labor shortage was identified as the biggest problem that managers face in the industry

INTRODUCTION

A concern for industrial developers in many U.S. states is the quality of the workforce, particularly with regard to level of management skills which can be developed through education and training. This study attempts to determine the need for education and training among employees of the logistics and transportation industry in the state of Louisiana, based upon a statewide survey of managers currently employed in the field. Funded by the state's economic development office, the study appears to be the first attempt to conduct such a measure in Louisiana.

The emergence of "supply chain management" has increased the focus on logistics education in both academics and industry. As Coyle, Bardi and Langley (2003, p. 1) state, "During the 1990's, supply chain management become part of the CEO, CFO, COO and CIO vocabularies." The supply chain is related to marketing in that the "supply chain is the connected chain of all of the business entities, both internal and external to the company, that perform or support the marketing channel functions" (Lamb, Hair, and McDaniel 2004, p. 376). The application of supply chain management increased the expectations for better performance of logistics systems and transportation services, in terms of quality, coordination and speed. With the growing emphasis on performance in the supply chain came the corresponding need for more skilled employees, and the subsequent need for training. In fact, the Council of Logistics Management undertook a major field assessment of the personnel needs of logistics companies in the late 1990s. The project resulted in the publication of *The Growth and Development of Logistics Personnel*, given the "growing importance of human resource

issues in logistics" and the "need to understand logistics jobs, career paths, and personal development in terms of job requirements, competencies, and training needs" (Keller 1999, p. 1).

Given the shortage of talented logistics personnel, according to the Council for Logistics Management, many companies have been forced "to promote managers and supervisors or expand their job responsibilities without adequate training" (Atkinson 2000, p. 71). Companies fear losing their talent once they've trained them. However, the Council and other organizations are urging training, especially in three areas: technical skills training, communications and "people skills" training, and training in how to teach other people (Atkinson 2000). "The issue of training has become a central one for logistics organizations as they face a shortage of cross-trained managers and race to keep up with an industry that is being constantly changed by information technology and ever-increasing customer demands for faster speed and better service" (Biederman 2001, p. 23). With the sunseting of the ICC in 1996, many logistics and transportation functions have been downsized or outsourced. However, "American shippers and receivers need to be re-educated and retrained in transportation and logistics, not downsized," especially as carriers have added liability limitations to their tariffs and bills of lading (Augello 1998, p. 31).

Communication is vital in the transportation industry, yet an informal survey of carrier managers in Japan, the United Kingdom, and the United States revealed that interpersonal communication was the major barrier to success. The focus needs to be on improving the communication skills of employees, rewarding people for having quality interpersonal skills, and providing training to correct deficiencies

in these skills (Bellino and Gordon 2001). A recent survey by consulting firm Accenture identified four key training trends: workers need continual retooling to gain advance skills; new technologies demand better training programs; workforce diversity increases the complexity of training programs; and new employees need quick training to get up to speed ("Use training" 2002).

Dadzie (1998) studied the educational needs of logistics practitioners and the current state of logistics education. He identified six categories of distribution managers' educational needs and recommended a broad range of business education courses (transportation, marketing, information systems, among others). One of the leading supply-chain management companies in Europe, Exel, has created its own 15-month cross-disciplinary training program (Pollitt 2000; also see Cameron and Duckett 1996).

Colleges and universities are responding to the needs of the logistics industry by developing and offering programs in supply chain management (e.g., the University of Arkansas and Michigan State's Masters of Science in Logistics), more cross-disciplinary training in MBA programs, and certificate programs in logistics management (e.g., Georgia Tech's Logistics Institute) (Richardson 2002). According to a special report on logistics education, at least 98 colleges and universities in the United States and Canada offer undergraduate and graduate degree programs and/or professional certification or executive/seminar programs in logistics. Fifteen industry associations also offer certification and best-practices programs ("Back to school" 2003). While the growth in supply-chain management courses and programs is commendable, Thomas Speh, Miami University of Ohio associate dean and president of the Council of Logistics Management, said that the focus should be broadened even more so that it is "more truly integrated" (Saccomano 2003, p. 13). This includes cost accounting, information systems, and globalization, including the need for foreign language proficiency. Speh concluded, "The effective logistics manager of the future will be effective due to their relationship management skills, not because of their knowledge base of logistics functions" (Saccomano 2003, p. 14).

As the literature review indicated, there appears to be the need for logistical and communications skills training in the growing supply-chain management industry, in the opinion of practitioners. The authors identified little academic research on this need. Therefore, the research

findings to be discussed shortly will, it is hoped, contribute to the academic side of the training needs assessment of this industry.

METHOD

Data were collected through the use of a mail questionnaire, which was sent to 194 firms in Louisiana with transportation or logistics operations. Subjects, which were selected from the *Harris 2003 Directory of Manufacturers*, included manufacturers, distributors, trucking firms and third-party logistics providers. The questionnaire was mailed in letterhead stationery from a regional university, and included a cover letter and stamped, addressed return envelope. Surveys were sent to logistics/transportation managers, if listed, or other executives. Thirty-one usable questionnaires were returned completed, and 5 were returned due to "bad" addresses, resulting in a response rate of about 16.4 percent. The average size of the 29 firms in the sample, who answered the question, was 313 employees, with a range of 40 to 1100 employees. The median number of employees was 205. Eighteen of the 29 firms who responded to the question classified their businesses as manufacturing. The remaining firms were classified as "distributor," "warehouse/storage," "other," or "circled more than one." The questionnaire was pretested on several industry executives before being mailed.

Two obvious limitations of the study are both the small sample size, and the fact that the entire sample is from the same state. However, many of the firms in the sample were part of national and/or international operations with multiple locations. Further, these firms shipped supplies and materials in from other states and countries, and distributed products to other states and countries. One would assume that these factors would moderate the limited geographical nature of the sample.

RESULTS

Ratings of the need for training in specific skill areas

Respondents were presented with 22 skills important to the transportation/logistics industry, and asked to rate the "extent to which their employees needed training in this area" on a seven point scale (1 = no training needed and 7 = training highly needed). These 22 skills were presented in three categories: (1) General management skills, (2) Warehouse/Materials Management Skills, and (3) Transportation Management Skills. The mean

scores for each of the items rated are presented in tables below, ranked from highest need to lowest need.

Respondents felt that training in "General Management Skills" were needed most, of the 22 skills rated. As seen in Table 1, training in *Team Building/Conflict Resolution* was the job skill felt to be most needed of all items rated, with an average

The second grouping of skills presented to respondents was composed of skills needed in operation of warehouses. The mean ratings of these 7 items are presented in Table 2; "warehousing" training was not perceived to be as important as general management training. *Productivity* training was rated highest among the items included in warehouse operations, with a mean score of 5.03. *Inventory Control* (4.97) was rated slightly lower than *Productivity* as an area where training was needed. *Warehouse Functions/Operations* was rated next in importance, followed by *Equipment/Technology* and *Supply Chain Management*, which had the same mean scores. *Order Filling skills* and *Warehouse Design/ Planning Skills* were the least needed areas of training expressed by the sample in the Warehouse group.

"Biggest Problems" Faced

After rating the need for education and training on specific issues which were given them, respondents were asked to list the "three biggest problems in your business today" using an open-ended question. Responses, which varied widely, were grouped into similar categories as reported in Table 4. The responses in Table 4 are ranked by the number of times an issue was mentioned for each grouping. Not all respondents listed three problems, resulting in sixty-one problems mentioned.

As seen in Table 4, the overwhelming response was in the "*Employee/Human Resource*" area, which represented 62 percent of all problems mentioned. Among employee problems, the overwhelming issue appears to be staffing and/or obtaining skilled labor. Work ethic of employees, attendance of employees and lack of employee responsibility were also major issues. *Production/Operations* was mentioned next in terms of frequency, representing 22% of the problems mentioned. The other major grouping was in the area of *Demand/Market Competition*, which was mentioned 12% in terms of frequency.

rating of 5.87. The related skills of *Leadership, Supervision and Interpersonal Communications* followed closely in corresponding order. The need for training in all of the behavioral skills presented as General Management skills were expressed as being higher than for that of any of the specific technical job skills in logistics or warehousing. As noted, Computer Skills were felt to be needed least of any of the General Management Skills.

The third group of skills which respondents were asked to rate was related to transportation and logistics activities, as seen in Table 3. The three most needed areas of training in the Transportation area were *Productivity Improvement* (4.79), *Regulations and laws* (4.55) and *Documentation* (4.43). A moderate need was expressed for training in *Pricing and Costs of services*, and *Freight Bills and Claims* (3.93). *E-logistics/E-commerce* was also felt to be an area where training was needed, which had a mean rating of 3.79. The least needed areas of training according to those in the sample were in the area of *Negotiation and Contracts*, the *Handling of Special Materials*, and in *International Transportation*.

Training Needs For Mid-To-Low Level Employees

Subjects were asked to list the "three most needed areas of training for mid-to-low level employees." As seen in Table 5, the responses were grouped into the following categories: General Management/People Skills, Technical/Operations Skills, Planning Skills, and Performance/Productivity Skills. The total number of items mentioned was 52, as not all respondents listed three items.

The most frequently mentioned area of training needed for mid-low level employees was in the category of *General Management/People Skills*, which represented half of all responses (Table 5). These open-ended responses are consistent with the quantitative scale ratings presented in Table 1. Second in frequency of mention was the area of *Technical/Operational Skills*, representing 21 percent of responses. Performance Management/Productivity Improvement followed in frequency of mention (8 %), along with Planning /Prioritization Skills which represented seven percent of responses.

CONCLUSIONS

Data from this study reveals that managers in the transportation/logistics industry in one southern state are concerned about the quality and

availability of employees. Those surveyed clearly expressed that the need for training in *general management and employee skills* was more pressing than technical skills, specific to the transportation/logistics industry. The skill most needed, according to the data, is *team building/conflict resolution skills*. The data leads one to conclude that, though technical skills are needed, they do not represent the most challenging need to managers in the transportation/logistics industry in the state.

Findings are consistent with the comments of one logistics manager, who stated, "though we need people who can operate computer programs, our managers and supervisors still work with many blue collar employees who are not college-trained...they must be leaders of people as well as technicians."

The study reflects the broad findings of other research in business education, that communications and leadership skills, and ethics and values, are critical parts of business education. A limitation of the study is acknowledged to be the small sample size, reducing one's ability to make generalizations with certainty. Another limitation is the fact that we do not know, for sure, that logistics/transportation managers were the ones who actually completed the survey. Certainly, a larger study, with controls to insure that logistics/transportation managers are reached, that attempts to reach industry managers across the nation, is the next step in this line of research.

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TABLE 1
EXTENT OF NEED FOR TRAINING IN GENERAL MANAGEMENT SKILLS
 (Ranked by Mean Scores of Ratings on 7-point Scale)

<i>RANK OF SKILL</i>	<i>AVERAGE RATING</i>
1. Team Building/Conflict Resolution	5.87
2. Leadership	5.71
3. Supervisory	5.68
4. Interpersonal Communications	5.55
5. Motivation	5.17
6. Managing Change	5.10
7. Customer Service	5.00
8. Computer Usage	4.68

TABLE 2
EXTENT OF TRAINING NEEDED IN WAREHOUSE OPERATION SKILLS
 (Ranked by Mean Scores of Ratings on 7-point Scale)

<i>RANK OF SKILL</i>	<i>AVERAGE RATING</i>
1. Productivity Measures	5.03
2. Inventory Control	4.97
3. Warehouse Functions/Operations	4.68
4. Equipment/Technology	4.31
5. Supply Chain Management	4.31
6. Order Filling/Management	4.23
7. Warehouse Design/Planning	3.63

TABLE 3
EXTENT OF TRAINING NEEDED IN TRANSPORTATION MANAGEMENT SKILLS
 (Ranked by Mean Scores of Ratings on 7-point Scale)

<i>RANK OF SKILL</i>	<i>AVERAGE RATING</i>
1. Productivity/Improvement	4.79
2. Regulation and Laws	4.55
3. Documentation	4.43
4. Pricing and Costs	4.00
5. Freight Bills and Claims	3.93
6. E-Logistics/E-Commerce	3.79
7. Negotiation and Contracts	3.78
8. Special Materials Handling	3.63
9. International Transportation	3.22

TABLE 4
“THREE BIGGEST” PROBLEMS FACED
Times Mentioned: Number and Percent/Ranked by Frequency of Mention

EMPLOYEE PROBLEMS/HUMAN RESOURCES PROBLEMS		37 (62%)
• Skilled Labor Shortage/Staffing	15	
• Employee Work Ethic/Responsibility	05	
• Attendance of Employees	04	
• Employee Turnover	03	
• Employee Productivity/Performance	02	
• Internal Communication Skills	01	
• Experienced Human Resource Management	01	
• Employee Safety	01	
• Change Management	01	
PRODUCTION/OPERATIONS PROBLEMS		13 (22%)
• Cost Control/Inventory	06	
• Equipment/Containers	02	
• Resource/Risk Management	02	
• Systems	01	
• Quality of Supply	01	
• Generating Value	01	
DEMAND/MARKET/COMPETITION PROBLEMS		07 (12%)
• Demand Fluctuations	03	
• Foreign Competition	02	
• Uncertainty/Lack of Demand	02	
• Profit	01	
MISCELLANEOUS PROBLEMS		03 (05%)
• Security	02	
• Best in Class	01	
TOTAL PROBLEMS MENTIONED		60 (100%)

TABLE 5
TRAINING NEEDS OF MID-TO-LOW LEVEL EMPLOYEES
Times Mentioned: Number and Percent/Ranked by Most Frequent Responses

General Management/People Skills		27 (51%)
• Interpersonal Communications	7	
• Team Building/Conflict Resolution	5	
• Motivation	4	
• Leadership	3	
• Customer Service	3	
• Supervisory	2	
• General Management	2	
• Human Resources	1	
Technology/Operations Skills		11 (21%)
• Order Picking/Checking	3	
• "Job" Skills	2	
• Technology	2	
• Computer	2	
• Transportation	1	
• Dot 49 CFR	1	
Performance Management/Productivity Improvement Skills		08 (15%)
• Productivity Improvement	3	
• Performance Management	3	
• Quality Management	2	
Planning/Prioritizing		07 (13%)
• Change Management	2	
• Critical Thinking/Analysis	2	
• Setting Career Goals	1	
• Time Management	1	
• Prioritization	1	
TOTAL		53 (100%)

ADVERTISING E-MAIL OPT-IN: A CONCEPTUAL FRAMEWORK PROPOSAL

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ABSTRACT

This article aims to define a framework for the opening process of opt-in advertising e-mail. This framework is based on existing traditional mailing experiences and marketing e-mail and defines four groups of parameters that influence the opening process.

INTRODUCTION

According to analysts, the e-mail market in Europe is still in its infancy. It is therefore reasonable to conclude that, in future, companies will use this channel increasingly to target the Internet user. One will then ask: amongst all advertising e-mails received, which ones will users chose to open? In other words, which criteria will influence the opening of an advertising e-mail? Companies will have to identify the criteria that influence the opening of the e-mail in order to act efficiently on these parameters. Through this study, we will try to find answers to these points by running through a conceptual model containing all the variables that play a part in the opening of an advertising opt-in e-mail. We will define opt in e-mail as an e-mail containing advertising information from partners to the site where the user originally entered his/hers e-mail address and that the Internet user has agreed to receive (Krishnamurthy, 2001). The final aim of this study is to stress the various tools available to specialists in this specific area.

MODEL CONSTRUCTION

E-mail is classified as a direct marketing tool as it impacts people individually and targets users according to the theories of winning and keeping clients. It also shares many features of the favorite tool of direct marketing: the traditional commercial mailing sent by post. In its process, it resembles strongly the mailings we often receive through the post. In order to build our conceptual model, we will rely on data from commercial mailing research and on data from marketing e-mail as a base for our analysis. The impact of commercial post mailing depends on target, type of promotion, creativity, and time and volume of communication (Fraser-Robinson 1989; Stone, 1996; Vriens et al., 1998, page 325). The envelope in itself is a strong component of the message and must ensure it can

grasp the reader's attention, arouse its curiosity, enhance the presentation of the message to the prospective client and thus ensure that the envelope will be opened. It is therefore a key stage to the efficiency of the mailing process. The conceptual framework of commercial mailing feedback developed by Vriens et al. includes this key stage. In the following paragraphs, we adapt the first step of their model to the e-mail we develop each point of the first phase which is the e-mail opening.

1. One criteria of efficiency for marketing e-mail: the opening

As we mentioned in the previous paragraph, marketing e-mail is linked to the traditional post mailing, direct marketing reference tool. However, as far as the content is concerned, it is more likely to be linked to online advertising. The measure of efficiency will therefore vary whether the e-mail content is linked to direct sales or advertising. The efficiency of a traditional commercial post mailing is normally measured on the number of replies and the speed of replies. The response rate is calculated on the number of replies received based on the number of letters sent. When it comes to e-mails, the efficiency rate will be based on the number of e-mails opened (recorded e-mails opened), behavior (number of clicks), target range (number of e-mail sent), failure (received failure rate) and finally continuity, i.e. subscriptions and cancelled subscriptions (abcnetmarketing.com). When analyzing the criteria linked to the opening of advertising e-mails, it is important to study the opening rate. It can be calculated thanks to an image imbedded into the e-mail. This image will refresh every time the user opens the e-mail. This will generate a line on a log file recording the opening of the e-mail. This is enabled when using HTML mail format (It is the most common format, Chamontin and Gratadour, 2002) but it is not possible when plain text format is

used. An average rate is calculated for the use of HTML format and plain text format.

2. Characteristics of reception line:

Looking at the initial concept, the characteristics of the envelope are linked to the various elements of creativity: its size, its color, its shape, its appearance, the images printed, the font and font size used. Here, for the e-mail, we will look at:

- The background color of the reception line, the images that can be inserted (this is only possible for webmail style mailboxes or a on AOL, other types do not allow this)
- The size of this line is determined by standards common to most e-mail handling programs.
- The color, size and font of the preview of the sender and subject details.
- Whether there is a file attached or not.

Changes made to the above details will clearly have an impact on the whether the e-mail is opened or not. Only one study, by Nguyen in 2002, focused on these criteria. She studied the impact of font size (upper case vs. lower case) on whether an e-mail is opened or not as part of her PHD qualification. Her study shows that using upper case lettering can have a positive impact on the opening rate of e-mails. However, the results of this study must be tempered by the fact that the Internet user was not connecting using as a regular user. Font type also depends on technical requirements set by mail handling servers. We do not have available data on the remaining criteria. Yet, this would be very interesting as they surely have a great impact on opening rates. We can note that advertising companies make changes on these details. For instance, some Internet mailbox providers use background color or insert an icon in the sender's details in order to differentiate their own e-mails from other sender's mails. How great is the impact of these actions? We do not have relevant data at this stage. We can look at traditional post mailing to provide some answers on these points. Geller (1996, p.66) defines the various criteria that might influence the number of replies based on research from marketing companies. An envelope color different than white, an unusual shape and image on the letter would increase the number of replies. In 1980, Little and Pressley are first to test the impact of the color criteria (white, yellow and blue) and various envelope sizes. The results shown that the use of yellow and blue for the envelope as well as a using a larger size had increased the speed and number of replies.

Paas (2002) confirms these findings. Indeed, he revealed that using a green envelope would increase the reply rate. The results of researches by James and Li (1993) also confirm that the color used for the envelope greatly increases the reply rate. Thus, a color different than white and a larger size (larger to normal non commercial mailing) can have an impact on the opening of the mailing. Other criteria, such as the font used on the envelope, will also have an impact. Paas (2002) suggested that a font slightly personalized (handwritten) would increase the chances of the letter being opened. Even if the aim of the study is the reply rate, according to these results, we can estimate that the background color of the message header or even the font color will have an impact on the opening of the e-mail. It will highlight certain e-mails from other and thus catch the Internet user's attention. All these criteria will have an impact on the outside look of the mailing. The appearance will be part of whether the mail is opened. James and Li (1993) research showed that giving a mailing the look of an official letter might be more efficient than using specific criteria on the envelope. For instance, mailings that took the appearance of invoices were systematically opened. Other research confirmed that an official look has a positive impact on the number of replies received (Katzenstein and Sachs, 1991; 1987; Stone, 1980). On the contrary, envelopes clearly designed as commercial mailings are considered as "junk mail". According to content, this would also apply in a similar way to the e-mail, as we will see in the next paragraph.

3. The attractiveness of the reception line:

According to Vriens et Al. (1998), the appeal of the envelope is defined following criteria such as the various messages printed on the envelope (Capon and Farley, 1976; James and Hairong, 1993), the product mentioned (Ganzach, 1993), the personalization of the prospects address (James and Hairong, 1993; Little and Pressley, 1980; Tezinde, Smith and Murphy, 2002), the look of the envelope (Katzenstein and Sachs, 1986; Stone, 1980), using window envelopes (Jutkins, 1991) and the name of the prospect on the letter (Akaah and Korgaonkar, 1988, Diamantopoulos et al., 1991; Chawla et Natarajan; 1994; Rosenspan, 1999). Three groups of criteria relating to the attractiveness of the envelope and which can affect the opening of the mailing can be identified:

- The characteristics of the product mentioned
- The characteristics of the message
- And finally, the characteristics linked to the prospect details.

If we apply these to the e-mail, the appeal will be defined on the area where the senders details, subject and attachment icon appear.

The characteristics of the message

The recent studies on e-mail marketing have focused on analyzing the boldness, personalization and relevance of the message on the reply rate. Rettie (2002) showed that a "shocking" message as a subject greatly increases the reply rate. Here, we must stress that the type of product he selected for his research might have influenced the results. However, the use of a shocking or striking message or a message inviting the user to click on the message can trigger a higher reply rate. Nguyen (2002) showed that the use of the word "open" within the subject increases the likelihood of the message being opened. According to writings on commercial mailings, a message printed on the envelope can have an impact on the prospect (Capon and Farley, 1976). Their research shows that a message printed on a mailing will have a positive impact at a cognitive level, affective level and cognitive level. When looking at the mailing received, the prospect might be thinking: what is this? Who is sending it? If we look at commercial mailings, in general, very few information is given on the outside about the product advertised. The attention of the reader is simply diverted from the final aim by other parameters: lottery draw, prize, discount and so on... By mentioning a lottery draw, not only is the reader captivated but the sender also creates a feeling of curiosity and empathy from the reader. (Katzenstein et Sachs, 1993; Rogers, 1990) and thus increases the motivation to open the mailing. Korgaonlar and al., (1986) suggested that referring to a lottery draw or discount voucher will have a greater impact than referring to a gift. When « Four Books for the Price of One » (Commercial Mailing, FranceLoisirs, 2002) is printed on a mailing with the purpose to increase the will to open the letter. This message is added in the purpose of reassuring the recipient about the financial risk and prompt the opening of the letter.

The various promotional techniques used in mailings, and the reference to free samples, are part of a strategy aiming to lower the suspicion or doubt that the prospect might feel. (Mcguinness et al., 1995). The perception of risk that the consumer feels at the time of receiving an advertising mail is therefore an element of rejection or of reluctance to opening the letter and/or to reply. It can be an element of rejection when the referred competition is surrealist. This is why the message "As Seen On TV" is added to reinforce the credibility of the

competition. These financial elements will increase the added value of the e-mail and therefore to enhance the chances of its opening. Other will use customization of the message to obtain an impact on the opening rate and response rate to the commercial mails sent (James and Hairong, 1993; Little and Pressley, 1980, item 20). Personalization can take different forms: an handwritten style address on the envelope, a personalization form in the message « Dear Mr. X/Dear Mrs. X » (Jutkins, 1991) that can create an attitude in favor of the message and incite the receiver to open (Charbuck, 1990). As far as e-mail is concerned, Marinova and al. (2002) have put forward opposite results. Their research has shown that when receiving personalized messages, Internet users tend to unsubscribe from the opt-in list held by the sender. The authors provided an explanation: according to them, the users do not like the sender using their name because there is no real commercial link. Here, we must stress that the research was based on only one mailing done by a hotel.

It has also been shown that messages related to actual needs and interest of the Internet users are more likely to be opened (Rettie, 2002). Indeed, a relevant message (i.e. one relating to the interests ticked by the user when he registered on the opt-in list) has a positive impact on efficiency of advertising e-mail. Though it implies that the Internet user has provided the relevant details. These details are extremely important. They are the key to identifying opt-in e-mails from opt-out. Unfortunately, these details need to be reviewed on a regular basis to ensure they are accurate. Sending a form to be filled in on a regular basis, such as once a month, could do this. This will provide the Internet user with information need and save him/her time and therefore they will have spread a positive attitude towards advertising e-mail.

The type of products mentioned

The type of products advertised has not been analyzed in e-mail advertising. But if we look at writings on traditional post mailings, the prospect is influenced by the type of products mentioned on the envelope in deciding to open and reply to the mailing (Ganzach, 1993). These results are referring to three criteria groups:

- The relation between the prospect and the product advertised. The greater the experience of the product, the more likely the letter will be opened.
- The product mentioned matches the request of the prospect in time and need.

- The prospect is familiar with the product. Therefore the risk is lower when the prospect is able to recognize the value of the product.

The sender's details area

The only research to study the influence of the sender's details on the opening of e-mails is that of Nguyen (2002). She revealed that the opening rate is greater when the mail originates from a known sender. However, we must remember that this study was done in specific conditions whereby the Internet user was not connected under their own usual profile when doing the research. Therefore we can only assume the influence is genuine. Once again, if we refer to writings on traditional post mailings, we can see that there is a positive impact on the opening rate of the letter when the sender is known. According to Akaah and Korgaonkar(1988), a known brand will get higher opening rate than a lesser known firm. And the authenticity of the message will also be increased (Rosenspan, 1999).

One issue which we need to underline here, is when the advertising company, a partner to the site on which the user has registered, sends mails directly to the Internet user. To avoid being perceived as an unwanted e-mail, it would help to add the site name as a reference in the subject. For instance, the internet user agrees to give details to site A which is a partner of site B and allows site B to use its listing of e-mail addresses in order to advertise its services. Under these circumstances, the internet user would be more likely to open the e-mails if it read in the subject line that site A is recommending site B. Dimantopoulos et al. (1991) explain this by the impact of the originating source and the influence group on the reply rate. The theory of McGuire on the hypothesis of similarity is confirmed here: between the source and the receiver that has a positive influence on the perception of the message.

Besides, this credibility facing the reputation of the sender can be reinforced when the prospect has had a previous positive experience with the company. To our knowledge, this variable has hardly been tested in the traditional mail. We also need to look at the criteria used by marketing department when sending post mailings: When? How often? How much? It is assumed that the client on the mailing list has had a previous positive experience with the company. The client is familiar with the company and therefore likely to open the letter and purchase again. This formula of course no longer applies when the client does not wish to receive further offers from

the company for any given reason. Mainly two can be indicated here:

- The experience with the company has proved negative.
- The consumers needs have changed and no longer match what is on offer from the company. Here, the message sent by the company is no longer relevant.

4. The characteristics of the Internet user:

The characteristics of the user usually refer to demographic data, life style or behavior in regards to post mailings. The only data available on these criteria are from marketing companies. Some (Cross et Nassef, 1999) have highlighted the categories of « hot clickers » and « warm clickers ». The first category distinguishes itself by the speed of response to advertising e-mail. Unfortunately, there is no formal research available to confirm these findings. It would be interesting to study the two categories. As far as traditional post mailing is concerned, we know that the profiles of the prospects have an impact on the opening and reply rates. For instance, the reply rate is related to the revenue of the household (Ehrman and Funk, 1997). The perception of the mailing will also be different in accordance to the prospects cultural and racial background. (Light and Somasundaram, 1994) and thus impact the results of the mailing. The research by Chudry and Pallister (2001) seems to confirm these findings on a national level. They reveal that within the same country, the mailings efficiency rate will vary in accordance to the racial background of the targeted prospects. The study revealed that the impact would vary when targeting prospects of Pakistani origin compared to other ethnic categories. One of the great advantages of the e-mail is that a large number of users from many countries can be targeted simultaneously. This can strongly emphasize the results of advertising.

We also note here that the user's previous experience of commercial post mailing has a negative effect on the efficiency of e-mails (McMellon et Ducoffe, 1995). It seems that the user can detect more rapidly commercial e-mails from other e-mails. This can be explained by the two following theories:

- Categorization (Medney, 1979), which is defined as *"the identification of an object as part of a category of objects in a specific level, a processes which is triggered by the association of knowledge patterns"*. The theory of categorization describes a brief process by which previous organized knowledge linked to a category is used for evaluation (Kobs, 1988). Through this categorization, the user quickly defines and rates the objects from previous experiences. If

initial categorization fails, the user will add attributes to the objects and try to evaluate again (Hite and Bellizzi, 1985). An example of this would be when the user has categorized a type of e-mails as "junk mail" Expertise or previous experience with a category of products has been proved to influence the process of evaluation (Dolich, 1969). The greater the knowledge of the user, the more he will react to communication. According to Dolich (1969) experience enables a faster categorization of objects. Indeed, the prospect will sort advertising mails from other mails with greater speed. It seems that the same reaction is obtained with e-mails: A greater experience of the Internet enables the user to spot the e-mails he has agreed to receive. This could also play a part as to whether the e-mail will be open or not.

5. Situation criteria

Context criteria or situation criteria are relating to the volume of offer the prospect might receive at the same time or the spending potential. They are not related to the sender or the type of product advertised or even the type of communication sent.

When it comes to e-mails, they are linked to the e-mail address (is it used regularly or not), the connection place and the quality of connection (slow or fast), the length of connection (unlimited or not) and the time of day the user access the mailbox. To the best of our knowledge, there is no research available on these criteria: we can wonder whether these parameters can have an impact and what influence they could have. The study from specialist (Doubleclick, 2002) shows that advertising e-mails can be more efficient some days than others and at certain times.

We can shed some light on the impact of these parameters by referring to writings on traditional post mailings. Marketing specialist often wonder how to reach "the right offer, at the right time and in the right conditions". The time in which the offer is received can be an import parameter to the success of a mailing. For instance, if the mailing is sent while the prospect is on holiday, it is more likely to be disregarded. It would be more successful if it were sent at the end of the year or birthday. This contact strategy is central to the distribution of commercial mailings. The impact of the commercial mailing will be affected by the amount of mail received at the same time (James and Hairong 1993). The prospect will pay less attention under these circumstances. We can thereby assume that the user is less likely to spot an advertising e-mail amongst a high volume of e-

mail. This will therefore have a negative impact on the opening rate.

ARGUMENTATION, LIMITS AND RESEARCH DIRECTION

Based on existing research on marketing e-mail and on theories issued from traditional post commercial mailings, a conceptual model on the opening of advertising orientated opt-in e-mail has been constructed. This concept highlights four categories of parameters that influence the opening of the e-mail. They are: the characteristics of the e-mail, the attractiveness of the e-mail, context parameters and parameters linked to the Internet user. Most of these parameters seem to affect the opening of the e-mail but little research is available to confirm these findings. Future research in the matter will highlight the level and type of influence of these various parameters on the opening of marketing e-mails.

On a more global level, we saw that e-mail can be classified as a direct marketing tool but we can also ask if it can be regarded as a media in itself? Also, we have considered patterns linked to traditional post commercial mailings and this could be misleading as these tools seem to vary greatly, one being a fast, interactive means of communication and the other, a slower, less reactive process.

We know from writings on the subject that senders will be prompted to use customized, messages that relate to the user's profile in order to increase the efficiency of the mailings. Some specialists suggest that in the future, it might become a key parameter to the opening of opt-in e-mails.

The credibility of the sender is also a key parameter studied by analysts. When e-mails addresses are shared in the context of opt-in e-mails, the partner company sending the e-mails is unknown to the recipient. Thereby, these mailings can be associated to "spamming" and affect the image of the sender but also the image of the partner company who provided the users details. The company who uses the e-mail addresses for mailings must mention the partner company's name in order to reassure the Internet user on the origin of the marketing e-mail. The "address e-mail" parameter seems to affect the process but how much so? We consider this trigger could be a major filter to the process. Here, according to what the Internet user provided when subscribing to the sender's site the efficiency of the mailing can vary. Advertising sent to personal or professional e-mail addresses have greater chances to be read. Sent to another address, it will have a lesser impact.

Furthermore, the concept is narrowed on the opening process. It would be interesting to analyze the impact of the process of subscribing to the sender's site prior to receiving the requested e-mail. The concept recorded here is a first theoretical step to the

understanding of the parameter of efficiency of marketing e-mail. It has however not been tested and further research are needed to validate the theories outlined.

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THE DOMESTIC AND INTERNATIONAL MARKETS FOR STUDENT TRAVEL: AN ASSESSMENT OF THE PERCEIVED VALUE MODEL

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ABSTRACT

This research examines the domestic and international student travel market using the perceived value model plus three added dimensions specifically developed for the student travel market. The results indicated that while the perceived value model did fit for the domestic travel market, it was not a good model for the international student travel market on the dimensions of acquisition value, transaction value, and intention to return.

INTRODUCTION

The topic of travel is one that is underrepresented in the marketing literature, especially international travel behavior. The study presented here expands the previous work of Zeithaml (1988), and Grewal, Monroe, and Krishnan (1998). Those authors had introduced the factors of acquisition value and transaction value as influencing purchase decisions. This study examined travel behavior, so three additional dimensions were added to aid in modeling the student travel decision, which included "preference of travel," "travel experience," and "concern for price." The models examined in this study evaluated data for both domestic and international travel decisions.

LITERATURE REVIEW

Value. Value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. (Zeithaml 1988). Customer value is market perceived quality adjusted for the relative price of the product. (Gale and Rosentahl 1994). Buyers' perceptions of value represent a tradeoff between the quality and benefits they see in the product relative to the sacrifice they perceive they will make by paying the price. (Grewal, Monroe, and Krishnan R, 1998)

Perceived Value. Perceived value has been defined as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml 1988). Zeithaml's results indicate that perceived value leads to purchase intention.

Perceived Acquisition Value. In the previous work by Dodd, Monroe, and Grewal (1991); and Zeithaml (1988), perceived acquisition value was defined as the perceived net gains associated with the products or services acquired. Applying to the travel market, the concept of acquisition value refers to the difference between benefits travelers get from the trip, such as service, food, and joy, and the money and non-money cost. Grewal, Monroe, and Krishnan (1998) developed the scales to measure perceived acquisition value that are used in this study.

Perceived Transaction Value. The perceived transaction value is the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial terms of the price deal (Lichtenstein, Netemeyer, and Burton 1990; Monroe and Chapman 1987; Thaler 1985; Urbany and Bearden 1989). In the travel market, perceived transaction value refers to the psychological gain by taking advantage of discount prices, such as seasonal or student prices. Grewal, Monroe, and Krishnan (1998) developed the scales for measuring perceived transaction value that are used in this research.

OBJECTIVES

There were three objectives for this study. First, the perceived value model was applied to a new market—student travelers—and the model's fit was tested by a rigorous data analysis method—LISREL program. Second, in contrast to previous work, perceived value was not considered to be the only potential predictor of travel behavior. Three additional factors that were considered to have an influence on travel behavior were integrated into the

model and evaluated for their influence. These three factors included "travel experience," "preference for travel," and "concern for price." Finally, the study expanded on previous research by examining the differences between domestic travel behavior and international travel behavior.

METHODOLOGY

Measurement

A questionnaire was prepared that used scales developed specifically for this study plus selected scales based on Grewal, Monroe, and Krishnan's (1998) work in which they presented scales for measuring buyers' perceptions of acquisition value and transaction value.

Subjects were asked to recall their most recent domestic travel experience. Besides the general information about that trip, such as time, destination, transportation, and cost, the questions (Table 1) concentrated on how satisfied they were with the trip and how they felt about taking advantage of a discount price. The statement presented used 5-point Likert scales with 5 indicating "strongly agree" and 1 indicating "strongly disagree." Those same statements were presented to the respondents in the second section of the questionnaire where they were asked to recall their most recent international travel. Subjects who had never traveled internationally were instructed to skip that section.

The latent construct "intention to return" was evaluated using a 5-point scale ranging from "definitely return" to "definitely not return." In the LISREL analysis of this study, this single item was assumed to measure the concept of "intention of return" without error.

To aid in the analysis, demographic information was also collected. It included some general questions related to travel behavior, such as their preference and frequency of travel, and the importance of price in their decision making process.

Pilot Test

A pilot test of the questionnaire was conducted using a representative sample of students from the target population. They were interviewed individually while and after completing the questionnaires. The researchers selectively used their comments and suggestions in revising the questionnaire.

Data Collection

The revised questionnaire was distributed to respondents using a probability-based intercept sampling strategy. There were four waves of data collection conducted using a probability sample of the public areas on the university campus including the library, student center, and classroom buildings. Efforts were made to sample in each of these areas in a non-biased way. The majority of respondents were male (59.8%), and undergraduates (71.2%), which approximated the student population of the campus.

Data Analysis

LISREL program was used because it could account for all the paths in the model simultaneously and because it could easily test nested models to obtain the most parsimonious model. SPSS was used to calculate the correlation matrices.

DISCUSSION

Study 1—Applying the Perceived Value Model to Domestic Travel Market

The first study examined the domestic travel data using a confirmatory factor analysis. The analysis resulted in a Chi-square of 49.52 which with 17 degrees of freedom was significant at $p < .000$ (see Table 1, No. 1). The fit indices were .91 for GFI, .92 for NFI, and .94 for CFI, respectively, which suggested a very good model fit. Additionally, RMSEA was .12, which was in an acceptable range. Overall, it was decided to retain this model because the fit indices were all very high. These results suggest that the students' intention to return could be predicated using the perceived value approach where perceived value stemmed from acquisition value and transaction value.

When comparing the path coefficient between "intention to return" and "acquisition value" (.62) and the path coefficient between "intention to return" and "transaction value" (.28), the latter was relatively low (.28) (see Figure 1). Since that coefficient was low, and since nested model testing is recommended in order to get a more parsimonious model, the path between "intention to return" and "transaction value" was dropped to see if the model still had a good fit. The results of that analysis (Table 1, No.2) was a Chi-square (55.94) that with 18 degrees of freedom was significant ($p < .000$); but RMSEA (.14) was getting worse. Some fit indices, however, were still very high, such as NFI (.90), GFI

(.89), and CFI (.93) which showed a good fit. The changing Chi-square ($55.94-49.52=6.42$) with a change of 1 degree of freedom was nevertheless significant. That result indicated that the nested model was significantly worse than the full model. Therefore, the nested model was rejected and both acquisition value and transaction value were retained in the model.

Study 2 –Exploratory Analysis in Domestic Travel Market

Travel behavior is a very complex concept so perceived value is probably not the only factor playing a role in explaining and predicting travel. Additional factors were therefore introduced to enrich the model and to explore travel behavior as completely as possible (Figure 2).

The new variables added to the perceived value model were “travel experience,” “preference for travel,” and “concern for price” when developing travel plans. The theoretical background for these new factors came from the literature cited earlier.

Specifically, a single item with a 5-point scale measured “preference for travel.” The number 5 indicated “like travel very much,” and 1 indicated “not like it at all.” The “travel experience” variable was obtained by asking the subjects how often they travel every year. The choices ranged from “never” to “more than 10 times.” The variable “concern for price” was measured using the three statements in Table 3 and using 5 point Likert scales like those used for acquisition and transaction value measurement.

The result of the LISREL analysis provided a relatively good model fit (Table 1, No. 3). Although Chi-square (88.64) at 50 degree of freedom was still significant, the fit indices were not only acceptable but also higher than the previous model which only included the acquisition value and transaction value. The results indicated that by adding the paths between the “intention to return” and the “preference of travel,” “travel experience,” and “concern for price” factors, model fit was increased.

The results of the LISREL analysis showed path coefficients between the three new factors and “intention to return” that were, however, extremely low (Figure 2). That finding indicated that a nested model should be examined for its potential to provide a more parsimonious model. Because all of the three new paths to be tested had almost the same path

coefficients, all of the three were dropped at same time for this models test.

Using the fit indices in Table 1, the nested model (No. 4) was accepted. Next, a choice needed to be made between the full model and the nested model which could be done by checking the changing Chi-square. The result of the nested model comparison showed that the nested model was not significantly worse than the full model; therefore, to keep model as parsimonious as possible, we accepted the nested model with its two predictors, acquisition value and transaction value.

Study 3— Applying the Model to the International Travel Market

A group comparison analysis was conducted to compare domestic and international travel behaviors. To do that the fit of the international travel market data to the domestic travel market model we discussed above was examined first. Because some of the subjects had not had international travel experiences, the sample size in the international travel market (N=164) was smaller than the one for the domestic travel market (N=198).

The result for the international travel market (Table 1, No. 5) showed decreased fit indices compared to the ones in the domestic travel market. First, the analysis produced a significant Chi-square (39.96) at degrees of freedom of 17 ($p < .000$), which indicated a relatively poor model fit. The fit indices also decreased from the ones found in the domestic travel market: .86 for GFI, .87 for NFI, and .86 for CFI, respectively, which suggested a less satisfactory model fit. Additionally, RMSEA was .15, which was too high to accept the model. Analyzing these pieces of information regarding the model fit, we concluded that the model which was obtained in the previous study could only be applied to the domestic travel market, and that there was a different underlying structure for the international travel market. No further group comparison analysis was conducted.

CONCLUSION

This was a study of the domestic and international travel markets in which an expanded version of the perceived value model was applied to the student travel market. The perceived value model showed a statistically significant underlying structure for student travel behavior.

Three new factors, including “preference of travel,” “travel experience,” and “concern for price,”

were added to the perceived value model, but they were not statistically significant additions. This result suggested that transaction value and acquisition value were the two most significant factors regarding domestic travel behavior for the population studied. It was also determined that the perceived value model did have high generalizability and was the most parsimonious model of predicting "intention of return" for the student domestic travel market.

In contrast, however, the student population's responses for international travel behavior did not fit the perceived value model very well. It may be possible that students behave differently toward domestic travel versus international travel. The findings suggest that domestic and international travel market behaviors should be considered separately from both a researcher's point of view and from a practitioner's point of view.

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Table 1 Output of 3 Studies

No	Feature	RMS EA	GFI	CFI	NFI	X2	DF	V S.	ΔX2	ΔD F	P (< .01)	DECISION
1	Study 1—Original (dome.)	.12	.91	.94	.92	49.52	17				.	Accepted
2	Study 1—Nested (dome.)	.14	.89	.93	.90	55.94	18	1	6.42	1	Sig.	Rejected
3	Study 2—More Factors (dome.)	.074	.90	.93	.87	88.64	50				.	Rejected
4	Study 2—Nested (dome.)	.07	.90	.94	.86	90.50	53	4	1.86	3	Non-Sig.	Accepted
5	Study 3—Original (inter.)	.15	.86	.86	.87	39.96	17				.	Rejected

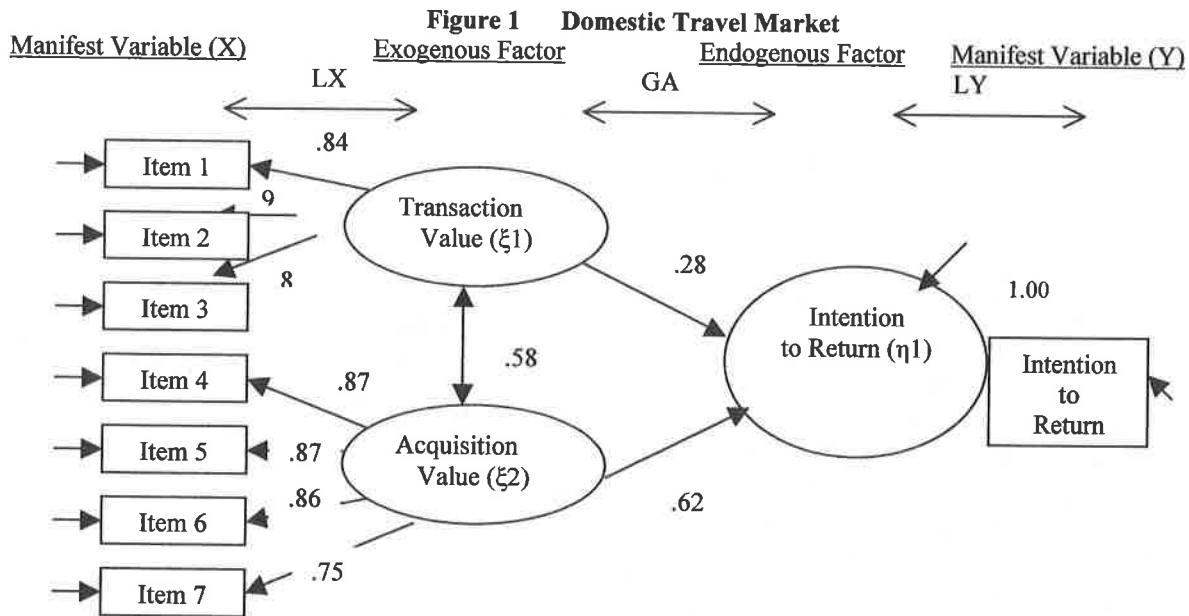


Table 2 Measurements for Transaction and Acquisition Value

Transaction value was measured using the following statements:

- (Item 1) Taking advantage of the discount price deal on my trip made me feel good.
- (Item 2) I received a lot of pleasure knowing that I saved money with the reduced price on my trip.
- (Item 3) Beyond money saved, taking advantage of discount price gives me a sense of joy.

Acquisition value was measured using the following statements:

- (Item 4) I feel that I got my money's worth for the money spent on my trip.
- (Item 5) I feel I received good quality for the price paid for my trip.
- (Item 6) After evaluating my trip, I am confident that I received good quality for the price paid.
- (Item 7) I feel that the purpose of my trip met both my high-quality and low-price requirements.

Figure 2 Domestic Travel Market with More Factors

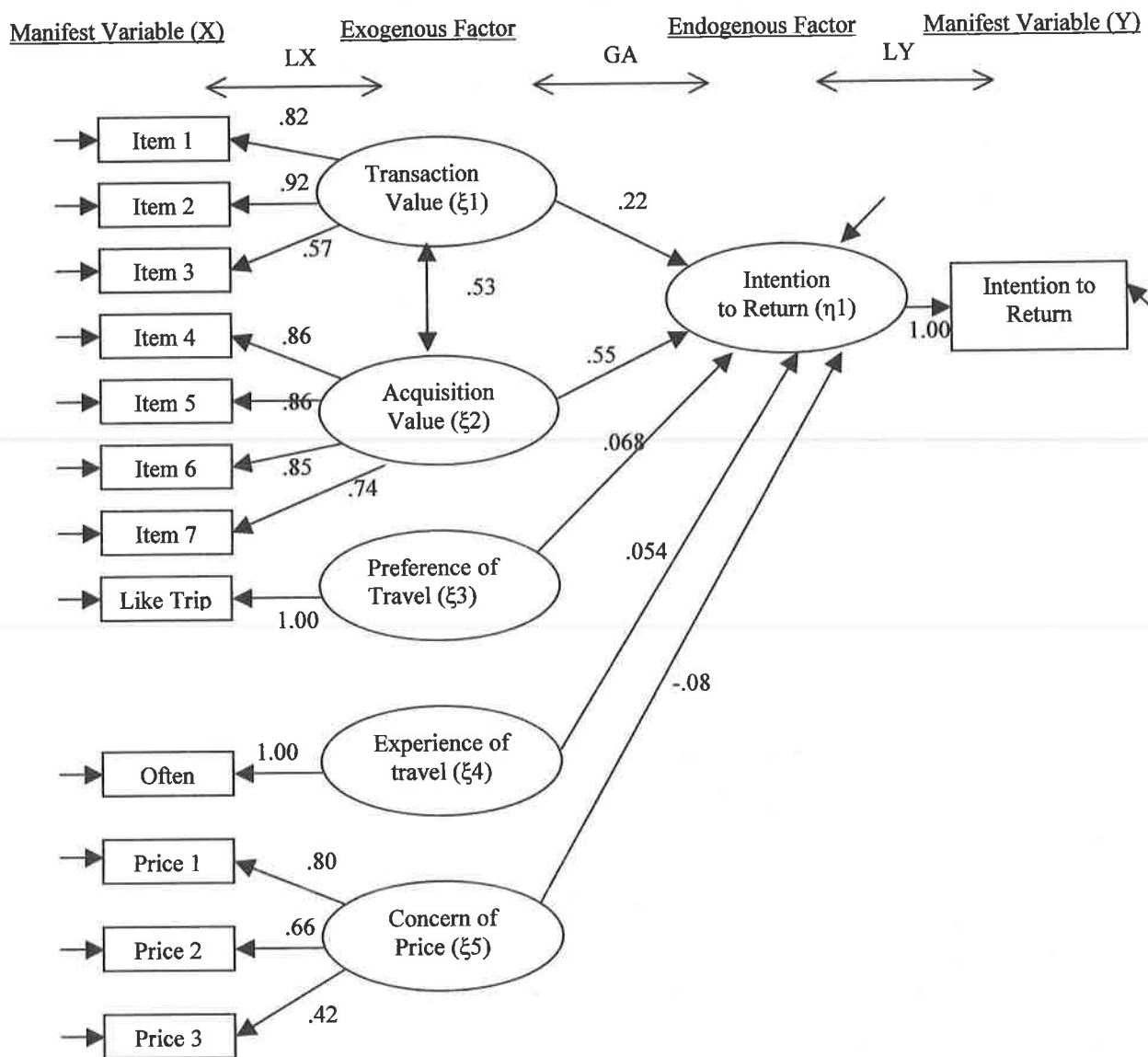


Table 3 Measurement for Concern for Price

- (Price 1) Generally speaking, when I plan a trip, price is my biggest concern.
- (Price 2) I always make my decision based on price.
- (Price 3) I always try to take advantage of discount price, such as seasonal discount, student discount, or special event discount.

PERCEPTIONS OF CORPORATE PARTNERSHIPS ON A UNIVERSITY CAMPUS

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ABSTRACT

Partnerships between universities and corporations are increasingly common. The marketing literature has not addressed how the university community (administrators, faculty, staff and students) perceive these partnerships or whether corporations are realizing the desired effects, including awareness, goodwill, and loyalty.

This paper examines the university community's perceptions of corporate partnerships on campus and how these perceptions might influence intentions to behave. More specifically, it investigates the relationship between attitudes toward corporate partnerships, perceived limitations on choice, perceived influences on image enhancement, attitudes toward the university, and in-shopping preferences (i.e., the desire to patronize a corporate partner versus a non-partner). The results of an online survey are presented and implications for corporations and universities are discussed.

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ATTITUDES AND INTENTIONS OF STUDENTS REGARDING FUTURE ALUMNI ACTIVITY

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ABSTRACT

The Director of Alumni Relations at a small, liberal-arts university in the Midwest approached a university marketing professor about investigating student attitudes and intentions regarding future alumni activity. Information collected from preliminary focus groups helped in the creation of an attitudes and intentions survey given to 322 students. Results showed that students seemed knowledgeable about the fundraising needs of the university, but lacked sophistication about these needs. A targeted marketing campaign aimed at improving students' level of sophistication shows great potential for altering the apathetic attitudes some students have about donating back to their alma mater.

INTRODUCTION

One cannot read the academic, business, or popular press without becoming aware of the problems of funding higher education, both public and private institutions. To meet a projected budget deficit of \$38 billion, for example, California is cutting eight per cent from the University of California system and 13% from the California State Universities (Albanese, 2003). Private colleges are under serious attack as well, with endowments reduced, donor income declining, and students without jobs defaulting on their loans (e.g., Samuels, 2003; Blumenstyk, 2003). Community colleges have their "backs to the wall," in Iowa and elsewhere, as state aid, which was once 62% of costs, is down to just over 40% (Community College, 2003).

While businesses have downsized to cut costs, and universities have also done so, to a lesser degree (Albanese, 2003), the costs of running a full service university, as Neusner notes (2002), keep rising because of the competition "for top students and faculty, and the unending push for quality—the highest salaries, the nicest gymnasiums, the prettiest campuses [which] turns universities into well-dressed beggars: They have all the trappings of success but none of the money." Thus, even the liberal arts faculty admit the ability to fundraise is one of the major criteria in the choice of a university president, though not willing to acknowledge that the university president is a Chief Executive Officer.

While universities have turned to consultants or "hip advertising agencies," and co-branded credit cards (Randall 2003), bottled water

(Walsh, 2003), the bread and butter of university funding—especially in private colleges—remains alumni, who account for almost thirty per cent of total voluntary support (Utter, Noble and Brady, 1999). Part of the rationale stems from a basic marketing principle that the most likely customers are people who've purchased in the past. Another is based on relationship marketing, "the continuum of giving," states consultant John M. Cash. "It's the \$50 you give when you're 22 and the \$500,000 bequest you leave years later" (Randall, 2003).

Alumni giving is also important for competitive advantage because *U.S. News & World Report* weighs in the rankings that can influence students to choose one school over another. "One way to [crack the top 20] is to up our annual rate of giving from its current level," suggested the director of alumni relations at a private Eastern college (Randall, 2003).

For the reasons noted, many universities are seeking to raise the percentage of giving by alumni (fewer than 20 percent of graduates donate). Some schools have chosen to do so by encouraging current students to think of themselves as alumni "before they vanish into a postgraduate vortex" (Randall 2003).

Despite the importance of the topic, literature on what students think of alumni is scarce. Impressionistically, as the director of the Missouri University Alumni Association noted, "Students hear the word alumni and don't relate. Their impressions of alumni associations are old, white-haired men driving big Cadillacs and having a lot of money"

(Randall 2003). Three researchers at Boston College sought to understand the attitudes of students towards giving. They concluded that the following variables were important in student intentions. First, students had to have a sense of ownership, which included whether or not they were attending their first choice. Second, intention to give depended on perceptions of "value"—students were more likely to desire to be generous donors as alumni if they believed they received a quality education. Third, students were concerned—as students and as potential donors—about the use of funds, and particularly the drain of funds into what they considered non-academic areas, or general funds. Finally, while students at Boston College understood the need for solicitation, they were critical of the university's efforts to seek contributions from their parents.

OBJECTIVE

We were approached by the Alumni Office of a small, private top-50 college which sought to identify: 1) the level of knowledge/sophistication about fundraising at the university; 2) how and when students find out about that need; and 3) what kinds of variables impact their level of knowledge and intentions. The overall goal was to assist the Alumni Office in developing a marketing and communications plan targeted at existing students.

METHODOLOGY

The Alumni Giving Survey was constructed based on information from the Director of Alumni Relations, as well as three focus groups, one each of freshmen, sophomores, and juniors. The AGS was then given to a small group of students in order to see if there were any problems understanding items or directions. After relevant corrections were made, we administered a total of 322 surveys randomly to students across the campus, including 212 males and 110 females. All classes were represented, with 37 freshmen, 97 sophomores, 118 juniors, 68 seniors, and 2 fifth year seniors (there are very few fifth year seniors at the university). Of the respondents, 82.9% went to a public high school, 74.8% said that the university was their first choice, 55.9% came from the Chicago area, and 30.1% came from elsewhere in Illinois. Over 70% expressed satisfaction with their education, 60% with their overall experience, who would recommend the university. Fifty-three per cent of participants responded that they would re-choose the university, but only 8% responded that they would not. Data from the collected surveys was analyzed using SPSS 10.1.0.

RESULTS

Knowledge of the alumni office was present, but unsophisticated. Students did not recognize the level and extent of their contact with alumni. Although the Alumni Relations Office sponsors volunteers to help first-year students move into their dormitories, less than 20% of students surveyed recognized that they had been at an alumni event (see Table 1). Since virtually 100% of the student body lives in school dormitories their first year, this number should have been dramatically higher.

Knowledge about the need for fundraising was present in most of the participants. Fifty-four per cent of students entered college knowing the university needed to fundraise (see Table 2). By the end of sophomore year over 80% realized the need. Only 8% of students never realized the university's need to fundraise.

However, sophistication lagged. Participants believe tuition and large donations are the most important factors in financing the university, but that they do not cover all expenses. While they believe any donations are essential, they did not believe the university *valued* small donations. Although 77% of students were aware that the university wanted any size donations, they also thought large donations were very important (37.9%) or absolutely essential (21.7%) ($p < .05$), the amount of money donated is important (55.9% agree/strongly agree, 28.6% neutral) ($p < .01$), and that the university gives preferential treatment to alumni who donate more money (51.9% agree/strongly agree, 26.7% neutral) ($p < .01$).

The intent to give increased after loans were paid off or students felt financially secure, i.e., after their lives are settled. The percent who would give steadily increased after six years, to over 50% after twenty-five years. Intent to give was strongly based on the students' perceived quality of education and their overall satisfaction at the school. Of participants who agreed or strongly agreed that they intended to donate at some time, 95% agreed/strongly agreed they were satisfied with their overall experience and 80% agreed/strongly agreed they were satisfied with their quality of education (both $p < .001$).

The university's new targeted marketing campaign showed a significant impact on intentions for future behavior. Of the 51 students who originally strongly agreed or agreed to the statement, "I plan to donate money: never," 37.3% altered their

intentions after reading about the benefits of donating back to their alma mater ($p < .001$). These students moved into the 'neutral' (15.7%), 'probably' (9.8%), and 'very likely' (9.8%) categories.

MANAGERIAL IMPLICATIONS

Our sample essentially replicated the results of the Boston College survey. Students entered the university with a knowledge of the need for fundraising. Through focus groups we also found that students would be more likely to give for a specific need than to the general fund. Students were indignant about the contact of their parents for additional contributions, as well.

Perhaps the most interesting finding was the relationship between intention to give and perceived attendance at alumni sponsored events (see Table 3). In every category – to give annually, to give time and expertise, to give to the senior Class Gift, to give at any point from within the first year after graduation to over 25 years after graduation – the mean differences were statistically significant. In each case, means for students who recognized their attendance at an alumni event were higher than means for students who did not recognize their attendance or were unsure of their attendance. For intentions to give annually, give when financially secure, and donate time and expertise, the difference between means for students who recognized their attendance and those who did not were statistically significant ($p < .05$). Although the move in of freshmen is an alumni sponsored event—and we are at a residential university—over 40 percent stated they had not attended an alumni event, while another 40 percent were uncertain. Thus, we recommended that the alumni association be more visible, through co-branding events and with an identifiable brand image.

An additional finding was that students did not believe that all donors were treated equally. Perhaps this arises from the praise lavished during tours of the campus on the donors who have given their names to buildings. We therefore recommended that the alumni develop communication themes such as “we value your all your donations” and note that 500 seniors contributed \$10 apiece to build....”

Our final questions dealt with an ongoing campaign to raise the percentage of alumni who

donate to earn a higher mark in the U.S. News and World Report. This message had potentially great appeal. Students who had stated they would give very little or never reported they would be “likely” to give \$5 to the campaign after reading a summary of its purpose at the end of the survey. Since the a number of participants in this study significantly changed their beliefs on donating after receiving only a brief summary of the benefits of donating, it seems providing the students with even more information through a targeted marketing campaign would greatly improve the attitudes of students towards giving back to the school after graduation.

As a source of potential funds in troubled times, existing students seem, in our survey, to be a worthwhile target for marketing communications.

LIMITATIONS/RECOMMENDATIONS

The limitations of the research are partly those associated with instrument construction. The instrument was created on the basis of expert opinion because items came from current students at the university and the Director of Alumni Relations. It is therefore believed that all items are of an appropriate reading level and use terms the average student would easily understand, thus the AGS shows some evidence for content validity. We made the AGS face valid because it is important for students to believe they are taking the survey for its intended purpose in order for them to be more honest in their responses. However, no reliability analysis was conducted for this instrument. Administering the survey at two different times through the academic year would help assure test-retest reliability. Additionally, the survey may not adequately address all areas of alumni giving. It should be noted that this study was conducted at a small private liberal-arts university. While results may not be generalizable to a large public college setting, the questionnaire used measures attitudes and intentions, so it would be appropriate in testing this population as well. The present study only measured donation *intentions* of current students. No research has shown how student intentions carry over into alumni action. Therefore, although this study shows significant findings on the intentions of students, it cannot definitively give assurances to actual future behaviors. Additional studies should examine current alumni and the beliefs they held as undergraduates in order to truly validate this study.

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TABLE 1 – PERCEIVED ATTENDANCE AT ALUMNI EVENTS

<i>Have you ever attend an alumni event?</i>	
Yes	16%
No	43%
Don't Know	41%

TABLE 2 – WHEN AWARENESS BEGAN

<i>When did you first become aware of the need for fundraising?</i>	
Before College	54%
First Year	23%
Sophomore Year	9%
Junior Year	4%
Senior Year	2%
Never	8%

TABLE 3 – INTENTIONS TO SUPPORT BASED ON PERCEIVED ATTENDANCE

	Have you attended an alumni event? (means)		
	Yes	No	Don't Know
Give annually**	3.12	2.31	2.55
When I'm financially secure**	3.71	3.10	3.49
Donate time and expertise**	3.22	2.64	2.64
Within the first year after graduation*	2.14	1.84	1.66
2-5 years after graduation**	2.81	2.14	2.12
6-10 years after graduation**	3.55	2.74	2.88
11-25 years after graduation**	3.84	3.11	3.41
25+ years after graduation**	3.84	3.20	3.55
To Senior Class Gift**	3.81	2.99	3.27

* mean differences are significant at the $p < .05$ level

** mean differences are significant at the $p < .01$ level

BRANDING AND COMPETITIVE ADVANTAGE OF FOREIGN GOODS IN THE U.S. MARKETPLACE – A PERSPECTIVE FROM RESOURCE-ADVANTAGE THEORY

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ABSTRACT

This study attempts to apply resource-advantage theory to analyze branding issues contributing to competitive advantage for foreign brands competing with one another in the U.S. marketplace. We propose a conceptual framework. Order of entry, adoption of brand strategies, and country-of-origin effect are proposed to constitute competitive advantages for particular foreign brands.

INTRODUCTION

Numerous brands across various industries are actively engaged in the U.S. market. A number of well-known foreign brands, such as Sony and Volkswagen, are as popular in the U.S. as in any other major market worldwide. A number of less well-known foreign brands such as Tsingtao and Haier are also establishing presence in the U.S. market gradually. Foreign brands are not only competing against U.S. brands, but also competing against one another in the same product categories or substitute product categories. Some perform very well (e.g. Braun in attaining customer loyalty and market share; while some others have a hard time attracting customers and eventually fade away from time to time (e.g. Acer).

Branding is a focal point of a product or service's marketing initiative. Although there is a body of literature on branding, the extant literature has mainly focused on U.S. brands in domestic or international context. This current study attempts to apply the resource-advantage theory (Hunt and Morgan 1995) to analyze branding issues contributing to competitive advantage for certain foreign products competing with other foreign brands in the U.S. market. This rest of this paper is organized as follows. First, we provide a brief literature review of resource-advantage theory. Second, we propose a conceptual framework of branding as the sources of competitive advantage and develop corresponding propositions. Lastly, we discuss the conclusion and implications.

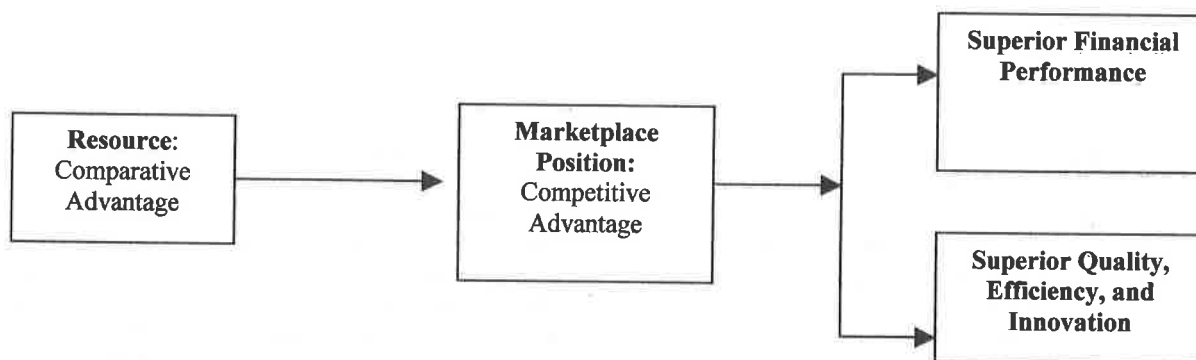
RESOURCE-ADVANTAGE THEORY: A LITERATURE REVIEW

Drawing from established theories and previous studies, Hunt and Morgan (1995) proposed a new theory of competitive advantage. This theory takes a new approach to emphasize the comparative advantages in resources among firms, other than among nations. The resource-advantage theory maintains that resources are the tangible and intangible entities available to the firms that enable it to produce efficiently and/or effectively a product that has value for some market segment or segments; and that the multitude of potential resources can be categorized as financial, physical, legal, organizational, informational, and relational (Hunt and Morgan 1995). Resources are both significantly heterogeneous across firms and imperfectly mobile. Unique resource(s) can be regarded as possessing heterogeneity of the resources; while immobility prevents the resources to be easily or readily bought and imitated in the marketplace. When a firm has a resource (or an assortment of resources) that is rare among competitors, it has the potential for producing a comparative advantage for that firm (Barney 1991). According to Hunt and Morgan (1995), when a firm possesses a comparative advantage in certain resources over its rivals, it can hold a marketplace position of competitive advantage in some market segment or segments. The competitive process is considered as the constant interaction among firms for a comparative advantage, which eventually lead to superior financial performance (Hunt and Morgan 1995). The superior rewards, as a result of superior financial performance, include both financial reward

and non-financial rewards such as promotions, prestige and feelings of accomplishment. The primary objective of the firm is superior financial performance. The level of financial performance is sought to exceed that of some referent. Therefore, the specific measures of financial performance and the specific referents vary accordingly in different circumstances and occasions (Hunt 2001). Resource-advantage theory also recognizes the dynamic nature of competition. It places great emphasis on both proactive and reactive innovation. It is argued that comparative advantage in resources can be moderated by both internal and external factors (Hunt 2000). Internal factors such as firm's failure to

reinvest and adapt to the market dynamics will dissipate the comparative advantages the firm possesses, while the comparative advantage can also be neutralized by external factors such as societal or institutional changes caused by actions of consumer or competitors. Management should understand current strategies; select and implement new strategies; and modify these strategies over time (Hunt and Morgan 1995). The following Figure 1 presents a conceptual framework of this theory by Hunt and Morgan (1995).

Figure 1
The Comparative Advantage Theory of Competition (Resource-Advantage Theory)



Source: Hunt and Morgan (1995)

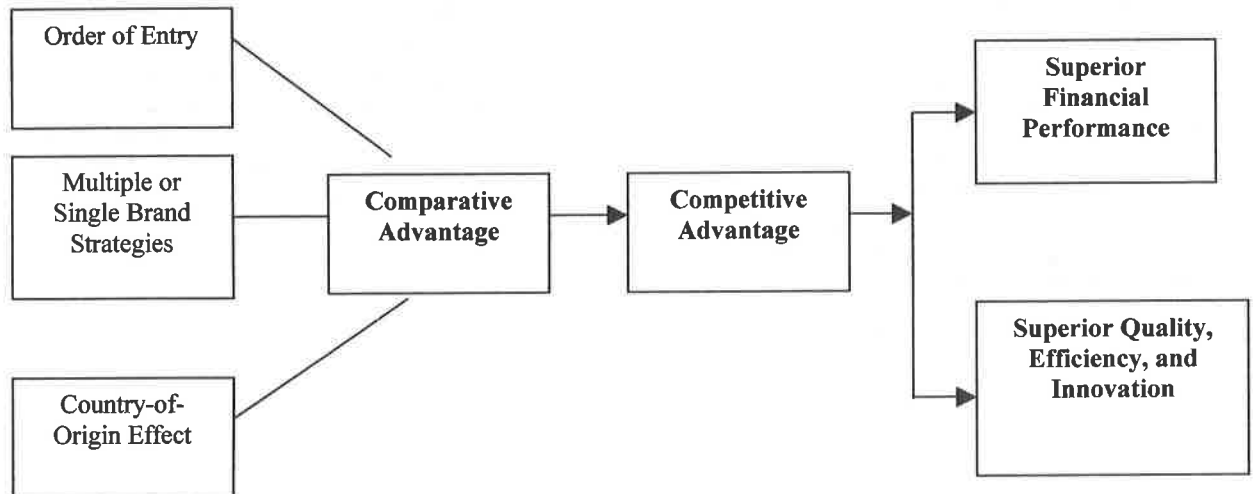
THEORETICAL DISCUSSIONS AND PROPOSITIONS

Figure 2 presents a conceptual framework of branding as sources of competitive advantage, under the framework of the comparative advantage theory of competition by Hunt and Morgan (1995). Propositions are developed based on this framework.

Branding can help consumers to choose products and services; it can also help sellers command higher prices and retain consumer loyalty. As Hunt and Morgan (1995) proposes, heterogeneity and imperfect mobility of resources can yield the comparative advantage for the firm. A firm's brand name is a valuable intangible asset that can greatly enhance the demand for its products. Brand names serve a variety of purposes for consumers with which firms identify and promote their products and

services. A well-known brand can effectively provide consumers with relevant information with which an unbranded or less-known branded product cannot provide. In particular, a brand name can reduce uncertainty about the product's features (Sappington and Wernerfelt 1985). Most brands are protected by various law or regulations, which make it difficult to imitate or reproduce the brands, resulting in imperfect mobility for the brands. Subsequently, branding becomes a means of comparative advantage, thus leading to marketplace position of competitive advantage in the U.S. context. This current study attempts to discuss three branding factors that result in comparative advantage for certain foreign brands in competition with other foreign brands: (1) order of entry in the U.S. market; (2) brand strategies by foreign firms in launching their products in the U.S. market; and (3) country-of-origin effects on foreign brands in the U.S. market.

Figure 2
A Conceptual Framework of Branding Issues as Antecedents of Competitive Advantage – A Perspective from Resource-Advantage Theory



Order of entry

Brands usually enter the market in a sequential order and consumers are initially skeptical about the products' quality and features. Consumers usually consider the initial satisfactory brand as the standard against which subsequent entrants are rationally judged. A pioneering brand is more likely to be retrieved and selected than followers. The pioneering brand tends to have a large effect on consumers' trial and preference for the same categories of products (Kardes et al. 1993). It thus becomes more difficult for later entrants to persuade consumers for their products. A study by Bowman and Gatignon (1996) shows that a brand's order of entry moderates the effects of the marketing mix on market share. Later entrants have to improve more in quality and spend more in promotion in order to achieve the same impact on market share. Urban et al. (1986) also state although the pioneer's share does decrease as new entrants enter the market, the pioneer still can maintain a differential share.

Muthukrishnan (1995) holds that incumbent brands (i.e. pioneering brands or consumer's first choice) possess certain advantages over late-entrant brands when the consumers have limited information about products and when consumer decision environment is ambiguous. Many brands, especially those from developed countries, are pioneer brands and have already established strong presence in the U.S. marketplace. Toyota, Dulux, Brother, and etc. are typical pioneer brands in their respective product categories. Although facing increasing competition

from follower brands such as Hyundai, they are still withholding their market position. Thus, it is reasonable to come to conclusion that the order of entry in the U.S. market can be a unique comparative advantage for certain goods of foreign firm over other foreign brands, leading to a marketplace position of competitive advantage (Hunt and Morgan 1995). Therefore, we propose as following:

Proposition 1: Foreign pioneer brands are more competitive than follower brands in the same product category in the U.S. market.

Branding strategies

Many firms are capable of adopting various branding strategies such as brand alliance, co-branding, brand extension, and multi-brand portfolio to strengthen brands' positioning and utilize the brand equity (McCarthy and Norris 1999). Two or more brands forming a brand alliance with a well-defined strategy can consolidate a broader customer base than they might be able to do individually. Consequently, successful alliances usually create higher level of brand exposure and equity for the brands involved in the alliances than any single brand could achieve on its own (Knapp 2000). Nevertheless Marketers believe brand alliances provide a signal of product quality leading to higher product evaluations, market share, and retail prices (Rao and Monroe 1989).

Co-branding creates synergy from the individual brands by sharing branding-building costs and risk of launching new brands in the marketplace. Ingredient brands and composite brands are two typical forms of co-branding. McCarthy and Norris (1999) indicate that ingredient branding provides a cue to product quality and leads to improvement on a number of measures of consumer product evaluation and acceptance. For example, brands of French cheese and Italian sauce are commonly used in ingredient branding in the US market. Colombia Coffee is also one of a few brands extensively incorporated in various ingredient brands for premium coffee. In composite brand, two or more brands are bundled to form a new brand encompassing these individual brands in order to enhance consumer benefits or reduce costs in the marketplace (Aaker 1996).

Brand extension is a tool through which firms introduce their existing brands into new product categories. Aaker and Keller (1990) propose that the success of a brand extension largely depend on the types of associations consumers have established for the brand, as well as other factors such as the extent of relationship between the brand, the new category, and the credibility of the firms to make the new product. Choi (1998) indicates that large firms tend to leverage off a product's reputation in one market to alleviate the problem of information asymmetry encountered in other markets.

Many firms manage a large portfolio of brands. Firms usually add new brands when trying to penetrate new market segments or marketing channels. The multi-brand portfolio approach is considered a logical consequence of a differentiation strategy. As a market matures, the need for differentiation becomes necessary to offer a wider range in the segmented market. Nestle has been using the brands of Carnation and Stouffer in the U.S. market, in addition to its flagship brand of Nestle. BASF also sells paint under two brands, Glasurit and RM.

However, conflicts usually result with former segments and channels (Kapferer 1992). The cost of advertising and promotion is substantial, thus making successful communication of these multiple brands to consumers difficult. Only a few brands in a portfolio are able to be sufficiently promoted to gain considerable market share. In addition, the investment required to establish a significant market share in the highly competitive U.S. market means that foreign firms need to maximize their brand equity efficiently (Kapferer 1992). However,

Consumers are usually confused by the growing number of brands in the market (Kapferer 1992). Therefore, a large number of brands fail to clarify the market.

The adoption of certain branding strategy reflects the strategy in a specific context (Kapferer 1992). Consumers' perception of brand positions and competitive reaction are important determinates of competitive brand strategy (Carpenter 1989). The adoption of certain brand strategies therefore becomes the unique resources for firms, resulting in competitive advantage for certain foreign products over other foreign brands in the U.S. marketplace. Therefore, the next proposition is proposed as follows:

Proposition 2: Foreign brands adopting brand strategies such as brand alliance, co-branding, and brand extension are more competitive than those adopting multi-brand portfolio strategy in the U.S. market.

Country-of-origin effect

Foreign products and services are necessarily related to the country-of-origin effects in the U.S. marketplace as well as in other markets. Country images are built over a period of time and can provide unique and country-specific intangible assets that contribute positively to the market share of the products by influencing the effectiveness of marketing variables in the marketplace. A study by Kim and Chung (1997) found that country image significantly interacts with marketing variables differently for brands from various countries in the U.S. market. Effects of country image arise from a customer's perception about the labor, technology, or manufacturing process within a particular country (Kim and Chung 1997). Brands originating from a specific country are likely to create intangible assets or liabilities that are shared by other brands originating from the same country. Therefore, consumers' perceptions may not be completely brand-specific but rather country-specific (Erickson et al. 1992). In a study of uni-national and bi-national products, Han and Terpstra (1988) conclude that even U.S.-made products carrying a foreign brand are still associated with consumers' perception of the country image for this particular foreign country. The product-country matches are related to consumers' willingness to buy products from certain

countries. Consumers usually have different reactions to products originating from countries differing in overall quality. Cordell (1992) shows that product-specific references are more significant when products are from industrialized countries than from developing countries.

Swiss watches and German machinery and automobile are considered to possess superior quality, while Chinese watches and Korean cars are generally on the lower end of the market. Auto brands from Europe such as BMW, SAAB, Audi, and Jaguar are perceived by American consumers as possessing superior quality and image than brands such as Hyundai and Taewoo from Korea. The above discussion shows that the country image as a result of country-of-origin effect has led to a marketplace position of competitive advantage for some foreign brands over other foreign brands. Thus, our last proposition is as the following:

Proposition 3: Foreign brands higher in country image are more

competitive than those with lower country image in the U.S. market.

CONCLUSION AND IMPLICATIONS

The above framework and propositions illustrate the branding issues as sources of competitive advantage on the basis of resource-advantage theory. Order of entry, brand strategies, and country image constitute comparative advantages for particular foreign brands, leading to their competitive advantage among the abundance of foreign brands in the U.S. market.

Implications are two fold on the managerial level. First, in this globalized economy, U.S. firms, when outsourcing from foreign firms, must understand the foreign brands' competitive position in the U.S. market and choose appropriate brands for their specific needs. Second, U.S. firms directly or indirectly competing against foreign competitors should also undergo a thorough competitive analysis of those foreign brands and take counter measures accordingly.

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MARKETING GLOBAL BRANDS: THE NEW REALITY

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ABSTRACT

Companies that hope to thrive in a competitive global environment must have brands that deliver a superior experience compared to the competition. In this paper we explore the current state of the world marketplace and discuss some of the problems facing global brand managers. We highlight recent trends affecting global branding strategy and offer recommendations for successful global branding.

INTRODUCTION

The aggressive search for increased profits is a powerful motivator towards growth, and what better growth opportunity than a relatively new global neighborhood (Ramaprasad 1995) filled with new consumers and new profits. These enticing profits, however, are not guaranteed. In fact these newly realized global markets are changing the way companies have to do business. So, how does a company create a successful brand outside its borders now that the word is out about the "global marketplace"? The answer is the same way they did at home – almost.

Companies that hope to thrive in a competitive global environment must still have brands that deliver a superior experience compared to that of their rivals. This experience may transcend the tangible product attributes themselves and satisfy certain intangible needs such as status or emotional needs (Poiesz 1989). These intangible attributes can be just as important, if not more important, to the survivability of a brand (Kim 1990). Take Rolex and Timex for example. While a Timex may give the time just as reliably as a Rolex, the Rolex watch carries with it a certain status symbolism as well as a much higher price tag. To be successful, a firm must devise and execute a branding strategy that builds brand equity and uses that equity to charge premium prices and drive up sales from loyal customers. Building powerful brand equity both domestically and globally still involves the same basic components. A company must utilize advertising and promotional activities to develop an appropriate identity that communicates both the tangible and intangible benefits, and ultimately directs purchase decisions.

This paper (i) explores the current state of the global marketplace, (ii) discusses some of the

problems facing global brand managers, (iii) highlights recent trends affecting global branding strategy and (iv) offers some recommendations for successful global branding.

THE GLOBAL MARKETPLACE

According to Levitt (1983), "Gone are the days when a company could sell last year's models-or lesser versions of advanced products-in the less developed world. And gone are the days when prices, margins, and profits abroad were generally higher than at home" (p. 92). Successful branding globally requires that a brand demonstrate a tangible benefit to the consumer and then deliver on its promises. This is illustrated by the brand valuation in 2002 of Ford and General Electric. According to Khermouch (2003), Ford faced a 16% global brand valuation decline in 2002, while GE's brand value increased by 2% to \$42.3 billion. Ford suffered due to reported quality issues and mistargeted products. On the other hand, GE's commitment to be a global company led to policies that diversified its ranks and utilized foreign assets in management positions whenever possible. GE's success in various markets was in large part a consequence of utilization of indigenous management personnel who had a good understanding of local values and consumer needs.

Until recently, companies conducting business internationally encountered many obstacles. Trade barriers, high cost of travel and transport, and expensive forms of communication are examples of impediments that have curtailed the ambitions of many multi-national companies. Today there is a strikingly different global landscape. Trade barriers are crumbling, travel and transportation are steadily improving, and continual advancements are being made in global communications through internet,

satellite, and cellular technology. These enhancements facilitate the rapid introduction of outside brands. Technology has made rapid advances and has provided a boost to the forces of homogenization. Brands such as Coke, Microsoft and Nike are universally popular. Consumers, whether they are in India or Indiana, demand the same brands.

Sustainable Competitive Advantage

As the needs of consumers throughout the world converge, the basic concepts of successful marketing become globally applicable. However, their execution may vary. The long-term success of a potential global brand will largely depend on its ability to gain sustainable competitive advantage. In the U.S., Wal-Mart has maintained a competitive advantage through efficient and low-cost distribution systems, while competitors like K-Mart have attempted to enter markets first and secure prime retail locations. Under the current market conditions, Wal-Mart's value strategy has proven more effective than that of K-Mart's location strategy.

Since no market is static, especially a global market, maintaining sustainable competitive advantage in a dynamic environment clearly poses problems. Information is now flowing into regions of the world like never before. This unprecedented level of consumer information can foster a very fickle community of customers. Each new day can bring a new brand option with new product features and advantages that must be overcome by long-term global brands. Therefore, companies must know their target markets intimately in order to stay competitive. Core competencies may need to be upgraded, especially human resources, to insure that the firm understands its consumers' needs and value systems. Distribution channels may need to be modified to reduce costs, strategic alliances may have to be renegotiated and/or eliminated, and research must be continuously redone and results reevaluated.

Customization

The ever-increasing array of consumer choices in today's global market have compelled many companies to alter their marketing strategies. The traditional cost-effective, standardized branding strategies are evolving to newer forms of customization and localization strategies. Many companies are not completely recreating their brands for each market but are often simply adjusting slightly to individual market preferences. Coca-Cola has been able to navigate the uncertain and ever-changing global marketplace with consistent success.

BusinessWeek (August 4, 2003) reported that Coca Cola was the number one global brand with the highest brand valuation in 2002 (Khermouch 2003). Coke's branding strategies have incorporated some aspects of standardization as well as customization. For example, they adapted their popular U.S. Diet Coke to a more appealing name of Coke Light for the European market. McDonald's, another top ten *BusinessWeek* brand in 2002, also embraces similar customization strategies. In India, it changed the legendary Big Mac into the Maharaja Mac and substituted beef products to chicken and local spices to accommodate the local cultural preferences.

GLOBAL BRANDING CHALLENGES

Branding in the U.S. has become a complex proposition due to saturated markets that have seemingly exhausted any and all original brand positioning possibilities. This, combined with a mind-numbing level of consumer choice, makes developing branding strategies that lead to strong company profits and loyal customers, particularly daunting. Global competitors face the same challenges as American companies.

Global brand managers must have the ability to communicate effectively with actual and potential customers. In the U.S. advertising and promotional freedom is not an obstacle. However, in other parts of the world, restrictions on corporate communication can be a creative nightmare. Dodge regularly compares its vehicles to others in the same vehicle class and identifies its direct competitors by name, though in Europe comparative advertising is not at all common, nor revered. Comparative advertisements that specifically identify competitors are prohibited in Belgium and Italy (Petty 1994; Reich & Micklitz 1980), and in other countries such as France, Spain and Germany, similar comparative advertising is allowed but heavily restricted. The Netherlands Supreme Court condemned a comparative advertisement between two brands of plant fertilizer because the advertisement did not disclose the difference in composition between the two products (Dommering 1992). Such restrictions make positioning based on superior product attributes difficult. It's clear that a successful advertising campaign in one nation may not easily transfer to other nations and, in fact, may have to be modified or completely redesigned.

Before any branding communications strategy can be implemented, an appropriate brand name must first be selected and secured or transferred from its country of origin. The availability of a

desired brand on a global scale can complicate matters. Companies that wish to penetrate a market with an existing brand identity may discover that their domestic brand name is already taken or does not mean the same thing, and, therefore, a company must choose an alternate name if they still wish to enter the market. This happened with the brand name "Ultra," which is actually used by a number of different firms in the same market because numerous attempts by each firm failed to gain a copyright of the name. In the various markets for Mr. Clean, the same product could have the name Maestro Limpio, Maestro Lindo, Meister Proper, M. Net and M. Propre, all the while maintaining a similar label and imagery but adapting the name for each market.

Even though throughout most of the world there is evidence of convergence of consumer needs, language will always be a barrier to overcome for the successful global firm. No company is immune to such careful considerations and even mistakes. Clairol's "Mist Stick" suggested manure when translated into German, and Coke's original name was rumored to mean "Bite the wax tadpole" in Chinese. Coke acted quickly to change its image to Chinese characters that mean "Tastes good and makes you happy." An existing brand can be doomed before it ever reaches the prospective global market if the brand name fails to correctly communicate the desired brand identity and benefits (Aaker 1991; Keller 1998; Kohli and LaBahn 1997; Schmitt & Simonson 1997).

RECENT GLOBAL TRENDS

After September 11 the United States declared "war on terror." This new openly aggressive posture against terror will certainly have long-term effects on global corporate branding but what those effects will be are still uncertain. Early indicators are that America as a national brand is starting to struggle; however, American brands are not. "A Pew Research Foundation survey in May 2003 of 16,000 people in 20 countries, plus territories controlled by the Palestinian Authority, found that since the summer of 2002, favorable opinions of the U.S. have slipped significantly. The declines ranged from a modest 5 percentage points in Britain (from 75% who feel favorably toward the U.S. in 2002 to 70% in 2003) to 10 points in Italy (from 70% to 60%), 16 points in Germany (61% to 45%), and 20 points in France (63% to 43%)" (Khermouch 2003). McDonald's Corp. is bucking the anti-American sentiment and saw some of its strongest sales growth in the Middle East, despite the continued violent unrest in that region and the unfavorable opinions

towards McDonald's country of origin. Dell is another American survivor and is now the largest foreign seller of PCs in China and going strong in Europe, adding 12% to its brand value in 2003.

Many American brands may be able to escape anti-American sentiment simply because they have been in a foreign market for such a long time that consumers simply forget the brands' country of origin, or are willing to overlook it because they can't give up their favorite brands. Nike has overcome anti-American prejudice by tapping into shared values. According to Khermouch (2003) the message of individual empowerment and athletic achievement plays just as well in Jakarta as it does in Jefferson City. The values appeal has proven especially powerful in regions such as Western Europe and Asia, where Nike is racking up its greatest sales growth.

A global community is susceptible to global economic swings and epidemics. No longer are the trials of one region isolated from the rest of the world. A recent American economic downturn seems to have slowed the rest of the world's economies. The SARS epidemic perplexed and frightened many potential consumers as well as workers worldwide to drive down consumption and productivity. While brands may not suffer directly from global epidemics, their parent companies that have invested heavily in them do, and that heavy burden can take its toll on the survivability of a global brand. When corporate profits are dependent on a global work force and a global consumer base, it becomes important for companies to do what they can to protect the environment in which they want their brands to thrive.

Governments can play an enormous role in a firm's ability to develop a brand within a different country. Not only do governments control and institute global policies abroad, which can be unpopular and therefore damaging to a brand's efforts, they also have the ability to control information and trade within their own country. Although trade and information barriers are coming down, those nations who still control the media can hinder the flow of information, even if they can't stop the flow of foreign brands into their borders. Recently, CNN reported that officials in a Southeast Asian country shut down an Internet message board because they felt that the messages being posted were anti-government. With this type of information control, propaganda can be effectively used to create negative sentiment towards other nations and possibly to the failure of foreign brands. In many

countries there is significant government control of the local media and the flow of information. Public opinion is shaped by the information that they receive, and if governments control that information, then its people will not be able to make decisions based on accurate information.

In most areas of the world where the flow of information is free and unlimited, the people have exposure to a brand's advertising efforts; however, a brand's country of origin can also affect its success in a new global market. Take Japanese products for example. The Japanese consumer is so unique that products designed to meet their needs don't readily transfer to other parts of the world. Consumers simply don't think "made in Japan," indicates quality in cosmetics as it would for electronics. This separation and uniqueness presents a great challenge to the brand manager to find the proper mix of communication objectives from a company's own culture to the next.

RECOMMENDATIONS

Strive To Be The Best

A company seeking long-term global profits must demonstrate a commitment to be the best in its industry. As global consumers become more aware of brand alternatives, industry leaders will begin to drive out underdeveloped brands as long as adequate value is perceived among the leaders. This commitment to industry leadership is pervasive among today's top global companies, such as Intel, that boast today's top global brands. These global leaders forge ahead with millions, sometimes billions, being spent on R&D to stay ahead of their closest competitors, all the while hoping to be rewarded by maximum R.O.I. from increased global revenues.

Emphasize Strengths

As mentioned in the introduction, a company that hopes to succeed abroad should adhere fairly closely to what has made the brand successful at home. This strategy has worked strikingly well for Dell. Since Dell is focused on the individual consumer and not on a specific country or culture, their direct business model works well all over the world. Dell has increased market share in Europe and China and is now the largest foreign seller of computers to China. Nike, using the shared value of personal achievement and athletic performance, saw international sales rise to 52% of brand valuation, the

first time in company history that international sales outpaced American sales.

Dell's standardized strategy has clear cost advantages when penetrating foreign markets. However, cost cannot be the only consideration. Customization, while costly, may be unavoidable for some companies, but it can still produce profitable results, and it seems to be the current global trend for many companies. Even Levitt acknowledged that savvy consumers demand brands that can deliver a superior experience as well as superior tangible product attributes. While some customization may be required for a brand to make a successful transfer into another culture, a company should still stick as closely as possible to its original branding framework.

Societal Integration

Brand acceptance by new foreign market consumers may require that a company go beyond delivering a beneficial brand identity and product to them. Corporate global branding may also require that a company integrate itself into the community in which it hopes to sustain long-term profits. Brands can integrate themselves into a local market by supporting various causes like offering scholarships, building schools, hospitals, or community centers. These extra cultural activities can make a brand an important part of people's lives and can contribute to developing positive associations with a company as a result of the "totality of its activities." Coca-Cola, for example, gives funding to rural schools as part of its integration strategy. Societal integration seems to provide some insurance against turbulent worldviews, and it can help to position the brand as a "community builder." McDonald's is aggressive when it comes to their philanthropic contributions. There are currently 228 Ronald McDonald Houses around the world, providing housing for families with children receiving medical care.

Brand-Image Advertising

When the time has come to enter a new market, advertising and promotion still play a vital role in development of a successful brand. As previously mentioned, a brand must deliver on its promises, but an advertising campaign must first position the brand and make its benefits known (Doyle, 1989). This stage of the branding process represents the introduction of the brand's identity. The brand identity is what the company wants you to believe. Once the brand identity has been presented, consumers evaluate the actual product to see if it

delivers on its identity claims, and if it does, a successful brand image is built. The ultimate goal of branding is to develop a strong brand image and loyal customer base to drive future sales. Satisfying trials of a brand's products and strategic advertising and promotional efforts are critical to developing powerful brand equity (Belch & Belch, 2001). Therefore, brand image is the resulting belief developed within the consumer about the truism of the brand identity claims (Marguiles, 1997).

Innovation

The true significance of increased levels of information accessibility around the world is that global consumers are no longer in the dark about their options. The internet allows unlimited information to flow to consumers, while giving consumers a window to look out at companies' branding efforts and promises in other markets. While consumer needs may be moving toward a state of homeostasis, developing products to satisfy those homogenized needs has become a global race. Therefore, product innovation becomes necessary to earn the market share that was once promised to manufacturers regardless of the quality of their offerings. Consumer research must be conducted regularly and translated correctly so that meaningful product innovations can take place. Whirlpool seems to be making excellent progress in the area of innovation in the home appliance market in India. The superior innovative design compared to its competitors gave Whirlpool the deciding advantage and a higher margin. The positive brand equity Whirlpool has built in India and its commitment to product innovation has led to its profitable share of the Indian market.

Customer Focus

Customer focus is imperative for a global brand to flourish among both foreign and domestic competitors within a shared market. Walt Disney once said, "You don't build it for yourself. You know what people want and you build it for them." However, when Michael Eisner and the Euro Disney team embarked on what was expected to be Disney's major source of growth for the '90s, they failed to focus on their target market and failed to meet many

of their extravagant goals. To correct their errors, Disney executives decided to relax their rules on alcohol in the park. Since the French consume the largest amount of wine in the world, it was decided that alcohol would be allowed in this park to be more sensitive to the local culture. Also relaxed were the restrictions on ladies makeup. Employees at Euro Disney were allowed to wear much brighter shades of red than in other Disney parks (Cravens & Piercy, 2003). These customer-focused changes, along with other modifications, seem to have brought Euro Disney back on a profitable track.

Take Advantage Of Economies Of Scale

When operating globally, economies of scale become a major consideration. Target markets may have the same consumer profile in more than one country (Dawar & Parker, 1994). A brand that seeks to penetrate a segment of the market featuring upper-middle class families, earning over \$100,000 annually, will likely be able to find a very similar market abroad. Therefore, brands designed to meet specific needs of a market segment can generate additional profits from unsaturated foreign markets with very little change. Change is expensive, and larger profits can be realized if change can be avoided or minimized. If a brand is already successfully in meeting the needs of a domestic target market, it can use its experience as a competitive advantage against other less experienced firms.

CONCLUSION

Even though the global marketplace is becoming more homogenized it still remains distinctly different. These differences in cultures may drive some global companies to move away from the profitable standardization strategies of old to a hybrid of standardization and customization. Profits will still drive management; however, the management landscape may change and become more diversified to be able to adjust to rapid changes in foreign markets. Keeping a customer focus, integrating into the target market society, being committed to be the best, and emphasizing existing strengths will all be key factors in the success and survivability of a company's global brand.

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BRAND POSITIONING IN THE ESTONIAN FOOD INDUSTRY

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ABSTRACT

The Estonian food industry has been going through dramatic changes. Because Estonia is about to enter the European Union, further changes and challenges are being faced by Estonian food producers, especially by smaller firms. However, with creative segmentation and marketing strategies, these smaller firms should be able to compete successfully.

INTRODUCTION

With the exception of the period between World War I and World War II, Estonia has been ruled by foreign powers. Estonia most recently became an independent country in 1991 following the collapse of the Soviet Union. Since 1991, the country has quickly moved to a market-based economy with an open economic policy. As a result, marketing has become more important to businesses as they struggle to succeed in an increasingly competitive global marketplace. Creating brand equity, or the value of the brand name to customers (Aaker 1995), is a critical aspect of this competition. The focus of this paper will be on branding in one Estonian industry, the food industry.

Prior to independence, Estonia's major trading partners were in the Soviet bloc. Since independence, trade with Russia has decreased and trade with the European Union (EU) countries has increased. Trade with EU countries is expected to become more important because Estonia has been a candidate to join the EU and voted in September of 2003 to join. It is anticipated that soon after joining the EU, Estonia will also change its currency from the Estonian Kroon (EEK, with one dollar \approx 14 EEK) to the Euro. Although the entry into the EU and the Euro zone will create new opportunities for Estonian businesses, it will also create increased competition.

A SHORT OVERVIEW OF THE ESTONIAN FOOD INDUSTRY

According to Estonian Food Industry statistics (2002), the industry can be divided into different sectors as follows (in 2001): milk industry 29%, meat products 16%, fish industry 14%, drinks

18%, meal and cereals 1% and bread and bakery products 9%. The food industry makes up 24% of Estonian industrial output and employs 18% of all employees working in secondary industries. This sector creates about 4% of Estonian GDP and 5% of exports. In 1994 the export to Russia was 44% of the foreign trade, while in 2000 this share had decreased to 4%. In contrast, exports to the neighbouring countries of Latvia and Lithuania have increased rapidly (from 15.6% in 1994 to 39.4% in 2000). The share of exports to EU countries has also been continuously increasing (from 23.2% in 1994 to 39.4% in 2001).

Large investments for the improvement of production conditions and for increasing the efficiency of manufacturing have been made in the Estonian food industry in recent years, connected primarily with fulfilling requirements for entry into the EU. Also as a result of impending EU membership, significant attention is being paid to consumers' health and to improving safety standards. There has been considerable foreign investment in the Estonian food industry. In 2000 foreign investments were mainly in milk production, although in earlier years there were also investments in the beer, meat and bread industries. The fish industry has turned out to be less attractive to foreign investors.

Because of the impending entry into the EU, the Food Act was passed and became effective in January 2003. According to that Act, all food processing and manufacturing enterprises must now meet standards which are required in the EU, and enterprises that fail to meet the requirements have to terminate their activities. The amount of investments needed for bringing all food industry enterprises into

conformity with the requirements has been estimated to range approximately from EEK 1.5 billion to 2 billion.

Industrial concentration in the food industries varies depending on the sector. The beer industry has the highest concentration – 4 large breweries make up 97% of the turnover, according to the Estonian Ministry of Agriculture. Meat production is also quite concentrated – 4 enterprises provide 80% of the turnover. Industrial concentration is expected to increase in the fish, meat, and milk industries. One of the reasons behind this increased concentration is the strengthened regulations that smaller companies are unable to meet because of the investments required. As this shakeout in the food industry proceeds, businesses will seek stronger brand positions in current markets and work to develop new markets. For example, new niches for preservative-free and whole-grain foods have developed. As a result, investments in brands and branding has become more important as businesses work to improve brand awareness, create product differentiation, and offer a sense of trustworthiness and security to consumers.

The first steps in developing domestic brands were taken after independence when the borders were opened and import goods became available to consumers. At first consumers felt that everything from outside the former Soviet sphere of influence was better than local Estonian products. The consumption of foreign imported products, especially Western goods, showed prestige; the only advantage of local products was lower price. In order to compete profitably with foreign goods, local producers realized that they had to start branding products and creating equity in those brands, many of which were long considered to be commodities.

Actions have been taken to improve consumers' perceptions and trust of domestically produced foods and to encourage new product development. For example, in 1994, the Association of the Estonian Food Industry created a competition designed to encourage new products and improve consumer attitudes toward domestic foods. In 1998, the Estonian Chamber of Agriculture and Commerce created a label of origin and quality, "Approved Estonian Taste," featuring a barn swallow (the Estonian national bird). The label is awarded biannually to products that are produced 100% from Estonian raw materials and have successfully passed laboratory and sensory testing. This quality label is also awarded to products if it is impossible and unreasonable to meet the domestic origin requirement

for some of the raw material (e.g., for sweets, confectionery, soft drinks etc.).

Although the Estonian food industry has improved its competitiveness with foreign producers, increased product differentiation, and developed new market niches, these actions have resulted in increased costs, which many Estonian businesses, especially smaller enterprises, are hard pressed to cover. Some of this difficulty is caused by the lack of strong branding; some products continue to be viewed as commodities with little or no brand equity. This need not be the case. As Sethuraman (2003) has said in reference to American markets, "Brand equity is a significant force even in the so-called 'commodity' products such as bleach and flour, where there is little scope for quality differentiation."

THE IMPORTANCE OF BRANDING AS PERCEIVED BY ESTONIAN BUSINESSES

At the beginning of 2002, The University of Tartu (which was founded in 1632 and is the major university in Estonia), in co-operation with the Estonian Market and Opinion Research Company (Emor) in Tallinn (the capital city), conducted a survey of businesses in the food industry in Estonia. The survey's goal was to identify the importance of brands and brand valuation as perceived by Estonian food industry executives, as well as which attributes influence brand value the most. Not surprisingly, consumer loyalty was viewed as being the most important factor affecting brand value (see Figure 1).

The survey universe consisted of the top 100 food industry enterprises ("TOP 100" 2001), and replies were received from 33 enterprises for a 33% response rate. The majority of survey participants were average size enterprises – the average number of employees was 169 and the average turnover was 177 million EEK. Currently, enterprises operating in the Estonian food industry consider brand valuation to be of only average importance. However, a majority of respondents think that brand valuation will become more important in the future (see Figure 2).

Only half of the enterprises that responded had taken any specific steps to measure the value of the brands they own (either in the monetary sense or in terms of brand equity, including awareness and image). In comparison, based on another survey conducted by Emor in 2001 of large enterprises in various industries with well-known brands in Estonia, 77% of the enterprises had measured some aspect of brand equity. This suggests that the food industry in

Estonia is lagging behind large businesses in other industries in terms of brand development and management. This may be partially due to insufficient capital for smaller enterprises that tend to rely on local investments. The result is that the

investments in a brand are limited and tend to focus on the physical development of the product, ignoring the development of the brand-consumer relationship and the personality of the brand

Figure 1. The Importance of Various Factors in the Composition of Brand Value

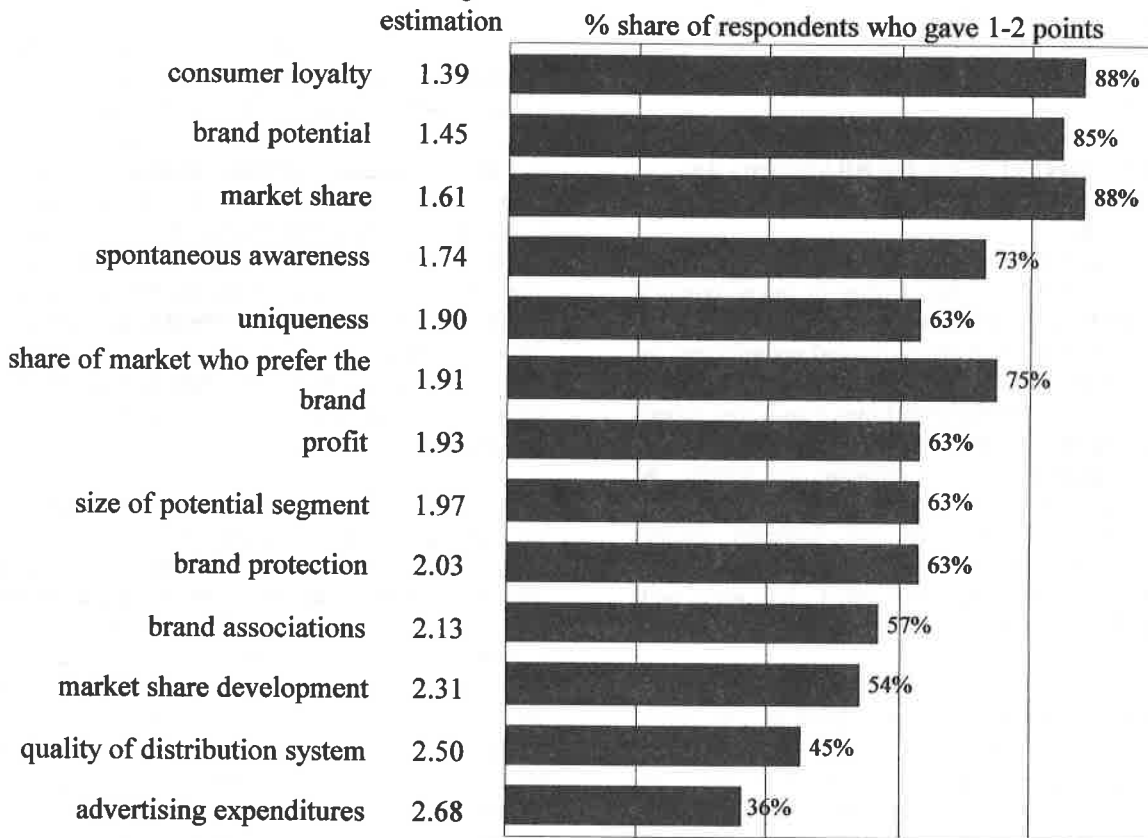
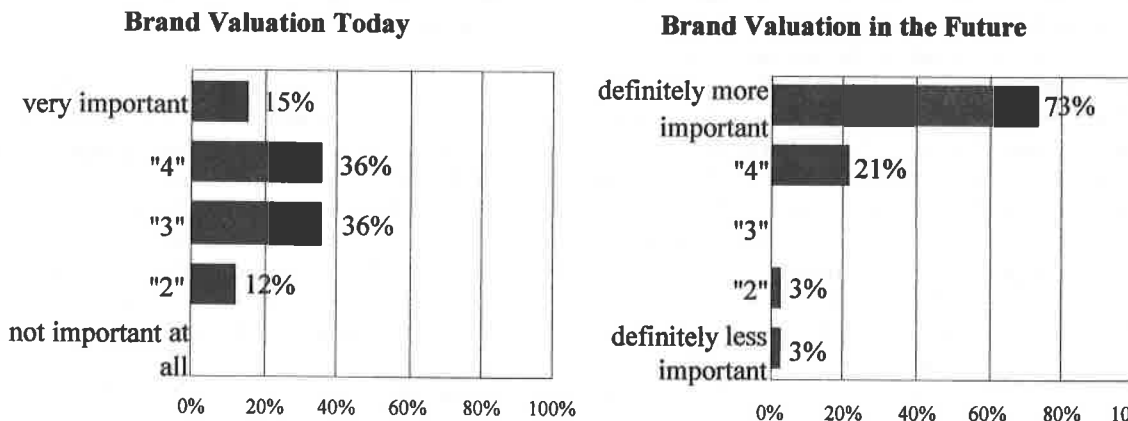


Figure 2. The Importance Brand Valuation in Estonia Today and in the Future



Larger and foreign-investment-based enterprises can more easily afford brand equity expenditures and brand equity research, including surveys of consumer attitudes. The enterprises that have conducted brand valuation studies, or have had it done by specialized companies, have done it in order to make decisions about brand management and development or to evaluate their marketing activities. In terms of what is most important in the composition of brand value, brand potential ranks second after consumer loyalty and ahead of market share (see Figure 1).

THE IMPORTANCE OF BRANDING AS PERCEIVED BY ESTONIAN CONSUMERS

Several surveys conducted in Estonia during 2001 and 2002 have shown that in many product categories Estonian consumers are characterized by a relatively high level of psychological commitment to the brand they most frequently purchase (to study consumers commitment level Emor uses a tool called the Conversion Model). The results in other Baltic countries (Latvia and in Lithuania) are similar. A survey conducted last year on the Baltic coffee market showed that 84% of Estonian coffee consumers are committed to the producer whose products they consume most often. In Latvia and Lithuania this share was 79% and 87% respectively.

It is clear that in different markets the commitment level and emotional bond of consumers are based on different reasons. There are markets where the psychological commitment can be increased simply by increasing advertising expenditures (for example: toothpaste). But this is more an exception than the rule. Commitment level to the brand usually does not change in proportion with changes in advertising expenditures. In some markets the historical background of the brand is crucial, and commitment is based on traditions and longevity of the brand in the market (examples in Estonia include the local sweets producer Kalev and the local alcohol producer Liviko). In such cases the consumers may feel connected to the brands because of their historical context, even with little or no advertising. Another attribute important to Estonian consumers when talking about creating an emotional bond is origin and background, especially for domestic brands. In some product groups (especially with low involvement goods like mayonnaise) consumers' buying habits play an important role. In that case it might be said that the behavioural loyalty of consumers is the reason for their psychological

commitment. When looking at the Estonian coffee market, the commitment level appears to be connected to the high-quality image of brands – the brands considered to be premium (Löffbergs Lila, Luxus, Paulig President) are dominant.

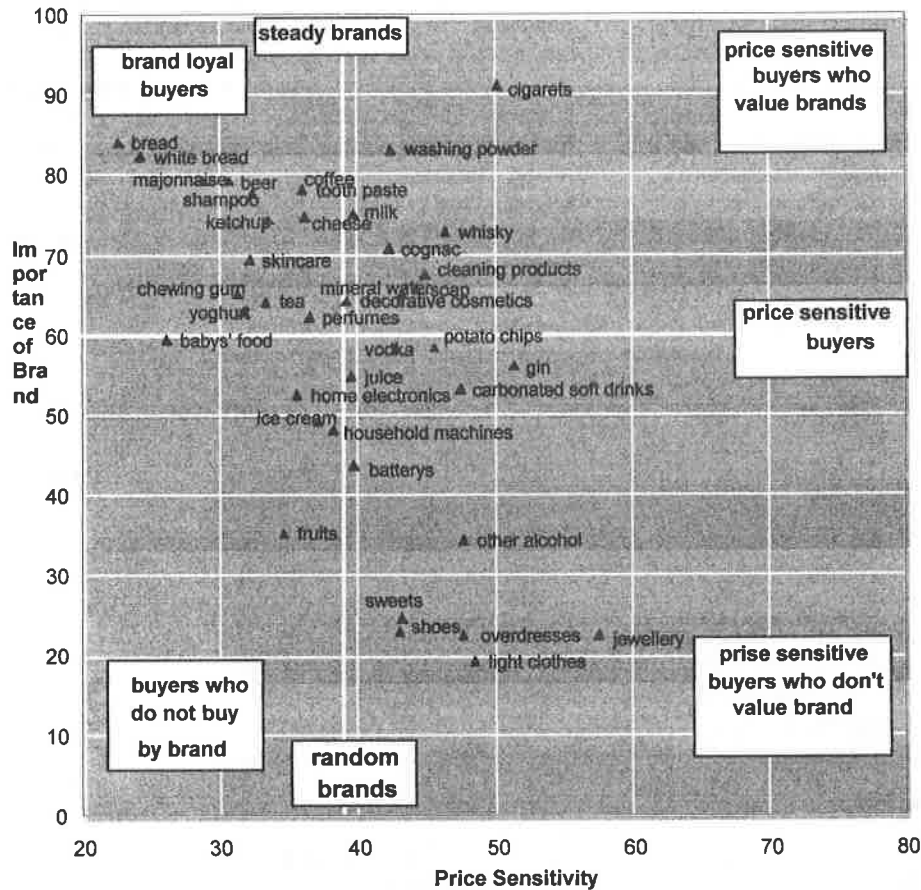
BRAND POSITIONING IN THE ESTONIAN FOOD INDUSTRY

From 1995 to 2001, Emor conducted biannual surveys mapping buying and consumer behavior of Estonians (“What do Estonians buy and think?”). Based on the results of these surveys, it is possible to position different product groups in a matrix with price sensitivity on one axis and the importance of the brand on the other. Importance of brand is based on the percentage of respondents who buy 1–3 specific brands in the product group; price sensitivity is based on the percentage of respondents who consider price to be more important than quality. Product groups can be divided into four sectors. Each sector is characterized by a specific consumer type (see Figure 3).

As depicted in Figure 3, the majority of product groups are situated in the “brand loyal buyers” sector, where brands are clearly differentiated from each other. In addition to personal care products, such as skincare products and perfumes, brand loyal buyers exist for by everyday groceries like bread (in Estonia, this means dark bread), white bread, milk, cheese and coffee. Compared to 1995 the importance of brand has consistently increased for bread and white bread product categories. This increasing importance of brand and low price sensitivity presents Estonian food producers with opportunities to “design” brand loyal consumers. Increased loyalty tends to decrease the price and gives the producers opportunities to ask for a premium price from these brand loyal consumers.

The “price sensitive buyers who still value brands” sector is quite interesting. Compared to 1995, a move of several product groups (especially nonfood) from “brand loyal buyers” to “price sensitive buyers who still value brands” is likely the result of promotion campaigns. Strong alcohol belongs to this sector (whisky, cognac; vodka and gin are close). These are not necessities the way other food products are, and they tend to be expensive products with wide price variations. Promotional campaigns emphasizing price may have moved consumers to be more price sensitive.

Figure 3. Product Groups Positioned on the Scales of Price Sensitivity and Importance of Brand



In product groups where consumers are price sensitive, price campaigns can obviously have an important role to play. However, an emphasis on price tends to encourage consumers to think of the products as commodities. There are two basic strategies for commodity branding in Estonia. The first strategy is to follow the commodity-pricing trend. This strategy tends to lead to low margins. Commodity pricing strategies might include marketing unbranded bulk items in order to capture the consumers who only buy the product with the lowest price on a fairly infrequent basis. In addition, there may be opportunities for marketing store brands (private labels). During Soviet times most goods were unbranded (exceptions, such as Kalev sweets existed). In some cases, store brands have replaced the unbranded products of Soviet times. It will be interesting to see how important store brands eventually become in Estonia. If Estonia follows developed countries, store brands are likely to provide strong competition for branded products. In the United States, for example, store brands

accounted for 20.8% of the unite market share for supermarket products in 2002 (Private Label Manufacturers Association 2003). Although store brands can be attractive to consumers because they are low-cost, any brand equity accrues to the retailer who owns the brand rather than to the producer. The second strategy is to try to create a branded product with high brand equity. This strategy can be difficult to implement, especially for smaller companies with limited resources for creating brand equity.

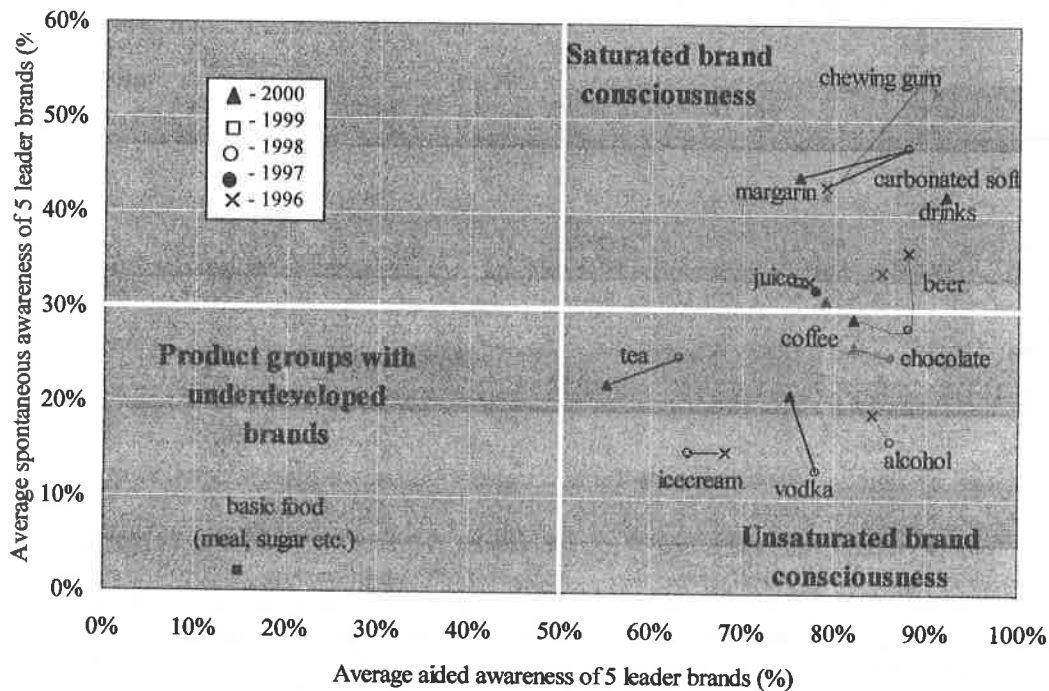
Even though it may be difficult for small Estonian firms to create a brand equity gap between national brands and store brands, the reward may be more defensible market segments with stable sales, higher margins, and greater profitability. In a U.S. study of the brand equity gap between national brands and store brands, Sethuraman (2003) found that consumers were willing to pay a premium of about 37% for the national brand over the store brand. About 85% of this is accounted for by brand equity. In other words, if the quality is objectively the

same between national and store brands, then consumers would still be willing to pay roughly a 30% premium for the national brand. Sethuraman breaks this brand equity into two additional components: quality equity (the value of the perceived quality difference between national brands and store brands) and non-quality equity (the perceived value of the national brand over the store brand, absent any perceived quality difference). He goes on to state that non-quality equity accounts for about 80% of the brand equity of national brands over store brands. Just as in the United States, Estonian firms should be able create non-quality

brand equity, even for products that have traditionally been viewed as commodities.

If both strategies are contemplated, it is important to maintain two separate marketing strategies in order to avoid damaging one or the other part of the business, especially the higher-margin business. This problem may be particularly relevant for markets in transition, like Estonia's, because there is an increased interest in branded consumer products, but at the same time significant segments of the population have small disposable incomes and are looking for the lowest price.

Figure 4. Brand Consciousness Saturation of Estonian Consumers



If the strategy of increasing brand equity is contemplated, in addition to examining the importance of the brand and the price sensitivity of consumers, firms need to consider the saturation of the brand consciousness of consumers in the specific product category (i.e., "is there any place left for newcomers in consumers' minds"). In product groups where the brand consciousness is already saturated, it may be difficult for new brands to enter the market. In several food and drink categories (like margarine, juice, carbonated soft drinks) the brand consciousness of Estonian consumers is quite saturated already (see Figure 4). Therefore, new entrants will have difficulty creating brand consciousness and equity. Well-funded campaigns are needed to break into

these markets that have very strong and well-known brands. Brand consciousness is unsaturated mainly in product groups where there are a large number of different brands and where consumers have difficulty differentiating among the brands (like chocolate, ice cream).

Most of the companies operating in the Estonian food industry are small and have underdeveloped brands; these include firms producing basic food products and other commodities. These small firms face two major problems. First, because the companies are small and have very limited resources, they tend to believe that investing in developing brand equity is too costly and

short-term goals dominate their strategies. As a result, they emphasize price in their promotional campaigns in order to meet their sales goals. This emphasis on price reinforces consumers' commodity perceptions of the products. Rather than enhancing brand equity, this strategy does the opposite and can lead to further erosion of margins. Furthermore, these smaller companies seldom have the resources to create the long-term cost advantages that are necessary for a profitable low-price strategy, so short-term thinking tends to result in long-term failure. Second, these companies assume that consumers perceive most grocery products as commodities. Therefore, the majority of small firms in the Estonian food industry do not even consider the strategic value of developing brand equity.

However, brands with a small geographic market, as in Estonia, can compete even with well-known, global brands. Bergvall (2001) has said: "The most important thing from a small brand's perspective is to be strong in its own defined market." Smaller brands have an opportunity to serve their customers in a more flexible and in a more creative way than larger competitors. This suggests that careful market segmentation, coupled with strong brand development that creates value for the targeted consumers, can be a winning strategy for smaller brands. Large media investments are not necessarily required to create strong brand equity. Smaller firms need to be creative, possibly using guerrilla-marketing techniques, based on their better knowledge of targeted market niches.

Nick Moon, director of strategic consulting at *FutureBrand* has said (Mirabel 2002): "The market needs to be at a level of maturity where consumerism is such that the nature of purchase lends itself to choice and convenience. Only in this environment does the brand model truly work for commodity products." Estonia is reaching this point, and manufacturers can successfully brand commodity items. In some product groups (like coffee and ketchup) it has already been done successfully (see Figure 3). Moving a product from a commodity to a brand with strong brand equity is a long-term

process. It involves changing the nature of the relationship between the consumer and the brand. The challenge is to create a competitive advantage, in a defensible market segment, that adds value for the brand in the minds of consumers.

CONCLUSION

In this paper, the role of branding, especially for small domestic firms, in the Estonian food industry have been analyzed. The first steps in developing domestic brands in the Estonian food industry were taken soon after independence when the borders were opened and imported goods became available to the consumers. Strengthening competition has forced firms to start to invest in branding and in educating consumers about the value of their brands. Nowadays, branding and creating brand equity in the Estonian food industry has become unavoidable. The majority of food product categories are now located in sectors where brands are clearly differentiated from each other and where brands have perceived value to consumers. Furthermore, in many categories the brand consciousness of consumers is already saturated making it difficult for the newcomers to enter the market. In this environment, smaller firms tend to concentrate their strategies on short-term goals and price. They believe that they cannot increase brand equity in order to compete against better-known brands; so they do not try. Unfortunately, unless brand equity is used as a strategic goal, these firms are likely to face declining profit margins and failure.

In the future, research needs to identify specific branding strategies and tactics that are most likely to be successful for smaller firms selling products that are perceived to be commodities. What is the role of family branding and the use of the producer's name in creating brand equity? Under what circumstances are small firms in the Estonian food industry most likely to be successful by selling through private labelers? What role should store brands play in the brand portfolio of smaller firms? How can firms best compete against private labels?

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AN EXAMINATION OF TRUST CUES OF TOP-RATED WEB RETAILERS

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ABSTRACT

This study examines trust cues present on top-rated online retailers. Trust cues examined in the study include security, privacy, and return policies, along with shipping, phone/fax, and alternative ordering information. Additionally, trust certificates including BBB, TRUSTe, VeriSign and credit card logos are examined. The presence and predominance of these cues is compared for 89 top retailers, and 50 best web e-retailers. Significant differences between the two groups of retailers are found in the presence of some cues. Additionally, there are similarities between the two groups, in the use of trust certificates.

INTRODUCTION

Online retail spending is projected to grow to a substantial component of overall retail sales. ComScore Media Metrix, Inc., projects online retail spending in the US to reach \$130 billion by 2006, (Petersen, 2002), while Forrester Research predicted US ecommerce sales will reach \$230 billion by 2008 (Cantwell, 2003). Specifically, the Forrester Research study predicts that while the US economy and retailers have been struggling, online retail sales will increase steadily at 19% year-over-year growth, accounting for 10% of total US retail sales by 2008. Dieringer Research Group found that Internet-influenced offline spending is 50% greater than online spending, citing that for every \$1 spent online, the Internet influence \$1.50 in brick and mortar sales (Greenspan, 2003). Confirming basic consumer behavior that the Internet serves as a major source of product and purchase information, this study determined that 60% of those who spend at least \$500 per year both on and offline, after seeking product information online. However, one of the most frequently cited reasons consumers state for not making purchases online is lack of trust. A 2002 Consumers Union survey found Internet users fairly skeptical of Web sites that sell goods or give buying advice (Brannigan & Jager, 2003, 2002). The survey found only 29% of 1500 US Internet users said they trust Web merchants just about all the time. Almost two-thirds, 64% said they never trusted, or trusted Web retailers only some of the time. These numbers should alert online retailers to the need to build trust with online consumers. Developing consumer trust is

integral for success, in any business venue, and perhaps it is even more critical for the online environment. As the previous statistics would suggest, there is definitely room for improvement in the online retail environment. In the e-business environment, trust has become one of the scarcest and most sought-after commodities in the New Economy.

REVIEW OF LITERATURE

Research addressing trust from the traditional marketing perspective focuses on an experience-based result. However, in the online environment, trust is necessary before the online shopping experience can happen (Birkhofer, Schogel, & Tomszak, 2000; Warrington, Abgrab, & Caldwell, 2000). Therefore, consumers must have some sort of cue or indicator on the web site to serve as a surrogate trust indicator. Warrington et al identify several cues which consumers use when online. These cues include policies on privacy, returns and security, and the presence of a company address and telephone number for alternative ordering procedures. The researchers also indicate that the overall professional appearance of the site also encourages consumer trust. Turban et al (Turban, King, Lee, Warkentin, & Chung, 2002) also identify policies dealing with privacy and product returns as components of the model that develops consumer trust in the online merchant. This model includes the presence of trust certificates and seals such as VeriSign and TRUSTe, along with vendor evaluation certificates such as the Better Business Bureau logo. These authors further encourage

consumers (pp 767-768) to actively look for addresses, telephone and fax numbers, along with trust certificates and the BBB logo when purchasing online. Zemke & Connellan (2001) echo the importance of several of these cues in their Keys to Build Trust from the First Click. Specifically the presence of Seals of Approval, including the BBB online, TRUSTe and VeriSign, along with Visa or American Express logos, is identified as important trust cues. The importance of consumer privacy and security policies, third-party seals of approval, return guarantees, and telephone and email support are also supported by Urban, Sultan and Qualls (2000). Clearly, establishing trust is imperative for retailers in the online environment. While name and brand recognition of established traditional retailers can assuredly provide a baseline for consumers when they go online, this venue still holds some uncertainty in the consumers' mind when dealing with unknown merchants. In the recent past, online companies have failed to deliver on promises, particularly during the 2000 and 2001-holiday season (Anonymous, 2002). Failed promises add to consumers' wariness of purchasing online. It now becomes more imperative for all retailers to provide a secure and reliable shopping experience for online consumers.

Thirteen online trust cues were identified, based upon a review of the previously discussed trust literature (Lee & Turban, 2001; McKnight & Chervany, 2001-2002; Reichheld & Scheffer, 2000; Turban et al., 2002; Urban et al., 2000; Warrington et al., 2000, Zemke & Connellan, 2001). The cues included: 1) privacy, 2) security, and 3) return policies; 4) shipping procedures; 5) warranty support; 6) email contact; 7) physical address or location; 8) phone or fax numbers; 9) alternative ordering options; 10) BBB, 11) TRUSTe, 12) VeriSign, or 13) credit card logos.

RESEARCH QUESTIONS

Given the current surveys and statistics indicating the lack of trust consumers have in the online environment, this study will examine the presence of trust cues on top-rated online retailers. Perhaps an examination of the websites of successful retailers can provide some insight into their ability to establish online trust. Two sources were identified for this study. *Stores* publishes an annual report of the Top 100 US Retailers, conducted by Triversity (Schulz,

2002), based upon total retail sales of all subsidiaries. The second group of e-retailers was identified by Internet Retailer. In December of 2002, a panel of ecommerce and IT professionals evaluated online retailers and identified 50 e-retailers as "The Best of the Web, Top 50 Retailing Sites (2002)."

The study will attempt to answer the following research questions:

1. What can, and are, online retailers doing to establish and build trust with their customers?
2. What cues are present on the web sites of successful retailers?
3. What differences can be determined between two sets of top-rated retailers:
 - a. Top 100 US Retailers
 - b. Best of the Web, Top 50 Retailers

It is theorized successful retailers should exhibit a preponderance of the cues related to trust on their websites. Additionally, it is expected that the retailers identified as the Best of the Web E-Retailers will exhibit a larger number of trust cues on their web sites, than the Top Retailers in the US economy.

METHODOLOGY

This study examined the trust cue variables present on the web sites of the top 50 of the Top 100 US Retailers, published in *Stores* as an annual report from Triversity, which analyzes the Top 100 US Retailers (Schulz, 2002), and the Best of the Web Top 50 e-Retailers as evaluated by Internet Retailer (2002). A content analysis of each website of the fifty retailers from each report was conducted. Each site was examined for the presence of each of the 13 trust cues identified. This analysis only examined the sites for the presence of these cues, and not the ease of finding these cues or cue placement on the individual web site. The 50 Top US Retailers comprised a total of 89 different store/brand web sites, included under the corporate umbrella as reported by Triversity. The Top 100 US Retailers are rated based upon retail sales, of all channel venues. The Best of the Web, Top 50 e-Retailers were determined by the ratings obtained from a review panel. Overall online sales were NOT criteria for inclusion in the ranking. Only seven online retailers appeared on both of the top-rated listings. These included:

Albertson's, BestBuy, Lowe's, Office Depot, Radio Shack, Safeway, and Target. These seven retailers were excluded from the data analysis to follow.

RESULTS

A majority of the Top US Retailers web sites had privacy and security policies, as well as email contact information, physical address or locations and phone/fax numbers present on the sites. Less than half of these sites had information on return policies, shipping, warranty support, or alternative methods of placing orders. The Best of the Web sites did have more of the trusts cues present, on a higher percentage of the sites. A high percentage of these sites had privacy policies (100%), security, return and shipping policies, along with email contacts and phone/fax information. A significantly smaller number of sites from both groups displayed BBB, TRUSTe, VeriSign or Credit Card logos. See Table 1 for specific details on individual cues. While more of the Best of the Web sites included use of logos on the sites, it was still smaller than expected, with percentages at or below 26% of the sites.

Further analysis was conducted to examine the differences between the two groups, A—the Top US Retailers and B—the Best of the Web e-Retailers. A chi-square test of independence was calculated comparing the frequency of each of the trust cues for the Top US Retailers and Best of the Web Etailers. Results were significant for privacy policies, ($\chi^2(1)=6.053, p=.014$); security policies, ($\chi^2(1)=4.624, p=.014$); return policies, ($\chi^2(1)=22.369, p=.000$); shipping, ($\chi^2(1)=24.719, p=.000$); address/location information, ($\chi^2(1)=44.072, p=.000$); BBB logo, ($\chi^2(1)=7.007, p=.008$); and VeriSign logo, ($\chi^2(1)=11.798, p=.001$). Results were not significant for email contact, phone/fax numbers, alternative ordering option, or the presence of the TRUSTe mark. Figures 1-4 show graphic comparisons of the two groups for groupings of the trust cues.

ACTUAL VERSUS EXPECTED PRESENCE OF CUES

Further examination using the cross tabs functions of SPSS 11.5.0, provided statistics on the expected versus actual presence of the trust cues on each group of sites. Initially, it was

predicted that the Best of the Web e-Retailers would have more of the trust cues present on their web sites. Analysis of the Best of the Web etailers found greater than expected presence of these trust cues on the web sites: security, return and shipping policies, as well as BBB, TRUSTe, VeriSign and credit cart logos. While not a part of the criteria used by Internet Retailer to categorize these etailers as Best Web etailers, the presence of these cues is definitely a significant tool to establish and build trust with online consumers.

Top 100 US Retailers

Specifically, in the Top US Retailers, the trust cues present on fewer than expected sites included: security, return, shipping policies, as well as BBB and TRUSTe, VeriSign, and credit card logos. These results may be a function of several things. First of all, the last category—presence of various logos, may be a function of local membership in the Better Business Bureau, and therefore, brick and mortar may retailers perceive no need to include this on their web sites. In addition, many major retailers have their own in-house credit card, and probably will encourage consumers to use that when making online purchases. Thus, again lack of need to use payment security endorsements, such as TRUSTe or VeriSign, and perhaps a conflict when promoting other major cards, such as VISA or MasterCard. However, the lower presence of security, return and shipping policies appears to be a major shortcoming on the part of these retailers to establish trust with their online shoppers.

Best of the Web

Perhaps more revealing were the trust cues NOT present as frequently as expected on these etailing sites: information on warranties of products and listing a physical address or location were present in fewer than expected online retailers. Obviously, while online merchants are not required to have a physical, public location, most consumers would expect at least a corporate office location would be needed to conduct business. Lack of a physical address may be perceived by consumers as a “fly-by-night” operation, and thus increase lack of trust on the part of online shoppers. Furthermore, traditional brick and mortar retailers who have entered the online environment, often termed brick and click, have the advantage of

established name and brand recognition, which many of the pure Internet retailers must overcome, or at a minimum counter. Familiarity with established retailers by name, and local physical operations provides brick and click, multi-channel retailers the advantage of familiarity for online shoppers.

Trust Certificates

The results in this analysis show that in many instances, etailers are using many of these trust cues to build trust with online shoppers. However, even though more of the Best of the Web e-Retailers included trust certificate logos, such as BBB or VeriSign, these instances were very small numbers of the total group. There are costs involved to the etailer in getting "certification" with these groups, and in several instances, the endorsement can become nothing more than "buying" the logo for the web site.

SUMMARY AND CONCLUSIONS

These results may be indicative of why consumers are reporting low levels of trust for online retailers. Online privacy and security issues have been prevalent in the popular press for some time now. Consumer trust is an essential component of online shopping environment, and online retailers must develop trust with their customers to be successful. This study attempted to answer three questions:

1. What can, and are, online retailers doing to establish and build trust with their customers?
2. What cues are present on the web sites of successful retailers?
3. What differences can be determined between two sets of top-rated retailers?

In response to these questions, the results indicate that online retailers appear to have "gotten the message" that consumers expected security, privacy, and return policy information. Contact information including email, and phone/fax numbers were present on a large majority of the web sites. Thus, of the thirteen trust cues examined, five of them were present on the sites of both groups of retailers. However, the use of trust logo endorsements is still present on only a small number of web sites, from either of the two groups examined. Additionally, warranty support information is present on less than half of either group of merchants. Perhaps, retailers expect consumers

to deal directly with product manufacturers for this support. Product warranty support may also be more relative to the type of product purchased, i.e. books versus computers/electronics, rather than an integral component of online retailer services. Finally, there were significant differences found between the two groups of retailers. Specifically, results found the presence of security, return and shipping policies, as well as BBB, TRUSTe, VeriSign and credit cart logos to be greater on the Best of the Web etailers, than on the web sites of Top US Retailers.

LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH

This study was a preliminary examination of the top web retailers. While preliminary in nature, it does give insight for further and more in-depth examination and analysis. Additionally, the research methodology did not examine security of actual shopping carts or purchase and checkout procedures. This may be a key component of consumer trust of the website. Online shopping research groups have reported a high percentage of shopping cart abandonment in the online environment. However, for the consumer to reach the shopping cart/checkout portion of the online purchase, he or she has to feel at least some trust in the website before actually beginning the purchase procedures. This study did not attempt to examine this component of the online shopping process, but future research might examine how much importance consumers place in "front-end" trust cues, versus security of the actual purchase and checkout procedure.

Another limitation of this study is basis of categorization of the two groups of retailers. While the Top US Retailers (brick & click) were determined by sales volume, this was NOT online sales volume. The Best of the Web etailers were identified based upon a panel's overall evaluation of the respective etailers. Thus, these two groups were not comparable based upon their "ratings."

These results provide a baseline for further research. As the online channel continues to develop, the role these trust cue variables play in developing and maintaining customer loyalty should be of significant concern to all online retailers, multi-channel and single-channel retailers alike. Following either or both

of these two groups of retailers over time, and developing a longitudinal study could track the continued or increased use of specific trust cues. Additionally, tracking and analyzing online retailers, based upon online sales revenues could also provide insights. Finally, examination of

the shopping cart and checkout procedures for individual online retailers, combined with examination of the trust cues present could provide valuable information.

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Table 1, Frequencies of Cues Present

Cue	US Retailer #	%	Internet Retailer #	%
Privacy policy	79	88.8%	50	100%
Security Policy	62	69.7%	43	86%
Return Policy	36	40.4%	41	82%
Shipping Info	34	38.2%	41	82%
Warranty Support	34	38.2%	12	24%
Email contact	77	86.5%	46	92%
Address/location	87	97.8%	26	52%
Phone/Fax	71	79.8%	45	90%
Alternative ordering	37	41.6%	20	40%
BBB logo	3	3.4%	8	16%
TRUSTe	2	2.2%	4	8%
VeriSign	5	5.6%	13	26%
Credit Card logos	10	11.2%	9	18%

Table 2, Chi-Square Results

Trust cue	χ^2	df	<i>p</i> value
Privacy policy	6.053	1	.014
Security policy	4.624	1	.014
Return policy	22.369	1	.000
Shipping	24.719	1	.000
Address/location	44.072	1	.000
BBB logo	7.007	1	.008
VeriSign logo	11.798	1	.001

THE INFLUENCE OF EXISTING RETAILER STORE IMAGE ON ONLINE EXPECTATIONS: A SHOPPING ORIENTATION PERSPECTIVE

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ABSTRACT

Retailing in the 21st century has evolved from traditional “brick-and-mortar” retail outlets of the 20th century, into digitized global marketplaces. With over 60% of the U. S. population currently online, consumer spending has increased steadily from \$27 billion in 1999 to a projected \$48 billion in 2003. Realizing these trends, traditional in-store retailers are expanding their distribution channel capabilities through the creation of web-based shopping environments. However, retailers operating online are now confronted by the challenge of designing and delivering a seamless integration of retail experiences across distribution channels.

Research concerning store image over the past four decades has primarily followed two paths; either how store image is developed, or the ability to infer attributes based on a store image or reputation. Yet despite the extensive literature examining retail image formation, little work attempts to address consumer’s transference and formulation of retailer image across distribution channels.

Expectations of the web site is important in that they establish a base reference point from which users will initially view the site. As they shop the site, the shopping orientation, or motivation, of the individual will make certain aspects of the site more salient. In an online experience, consumers are often classified as either task oriented (i.e., they are searching for specific information/products) or experientially oriented (i.e., they are just browsing or surfing). Experientially motivated individuals are likely to expect entertainment and web interactivity, while task oriented individuals seek utilitarian benefits. This paper hypothesizes that existing store image does influence expectations of the web site and that when actual experience with the web site exceeds salient benefit expectations attitude toward the site as well as shopping intentions increase.

To test the proposed hypotheses, we conducted a 2 X 2 between subjects laboratory experiment manipulating the shopping orientation of subjects (task vs. experiential) for two retailers maintaining professional e-commerce operations. Results indicate that existing perceptions of retailer image shape the capability expectations of the web site. Additionally, when perceived hedonic value exceeded expectations of the web site, positive changes in overall attitude towards the retailer resulted.

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INTERNET USAGE FOR COMPARISON SHOPPING: AN ELDERLY PERSPECTIVE

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ABSTRACT

Despite the growth of the Internet, one area that marketers have not really discussed is the elderly's use of the Internet. Given the rapid growth of this population as well as the potential the Internet holds for them, it is a subject worth consideration. This paper discusses the use of the Internet by a national random survey of elderly consumers and their use of the Internet for comparison shopping. The findings from our study revealed that approximately 83% of the sample who answered the survey had used the Internet and the mean usage of the Internet by the elderly was approximately 9 hours per week. Approximately 46% of the respondents spent more than 10 hours on the Internet and approximately 67% of the respondents used the Internet to stay in touch with friends and relatives. About 37% used the Internet to stay current with the news and events. The other major reasons why the elderly used the Internet was for shopping (35%), entertainment (22%), access health/medical information (31%), and other research topics (38%).

Our findings suggest that those seniors who were confident in their ability to use the Internet and who were comfortable in using the Internet and experienced in using the computer would use the Internet for comparison shopping. We did not find a significant relationship between satisfaction with one's Internet skills and use of the Internet for comparison shopping. It is important to make sure that the Web Managers and Organizations develop websites that provide all the relevant information about products and services on their website. This might help the elderly consumers to check or shop for information on that website rather than comparison shop. Another strategy would be to provide competitors prices and features on our own website and educate the consumers why it is important to shop at our website rather than the competition. Emphasis on safety, privacy, and other security issues need to be addressed and employed on the website, so that consumers do not have to shop at other websites. Finally, based on our results, anything that online marketers can do to make their elderly target market more comfortable, confident, and experienced with using the Internet (such as provide educational resources on how to use the Internet), will only lessen the likelihood that seniors will comparison shop online.

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CAN INTERNET MARKETING REPLACE TRADITIONAL MARKETING?

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ABSTRACT

With advances in Internet marketing, there is an uncomfortable feeling among marketers if Internet marketing (IM) would eventually replace traditional marketing (TM). The focus is on the extent to which IM fulfills the essential functions of marketing, i.e. to obtain and service demand. Specific functional services investigated include the efficiencies of information-dissemination, distribution, total-shopping experience, and cost effectiveness. We first discuss the functional areas in which IM clearly surpasses TM; then explore areas of opportunities where IM can do even better.

INTRODUCTION

An objective and proper comparative discussion between the merits and demerits of Internet versus traditional marketing would require the following steps: a) Establish if the Internet is a real marketplace; b) Argue if Internet marketing is real marketing; c) Identify the essentials that define retail-based marketing, and given (a) and (b), demonstrate to what extent Internet marketing surpasses traditional marketing on these essentials. The Internet is a real market in that it can bring buyers and sellers from anywhere in the world for the exchange and satisfaction of their mutual needs and wants. The *Internet market* does not necessarily imply any physical retail outlets, shop floor space, inventory or salespeople. The Internet is a worldwide medium of information exchange, persuasive selling or buying, active distribution, and market Research. The Web on the Internet has thousands of supplier firms represented by their websites - this is the *supply side* of the Internet market. Each product or service of the supplier firm may also be offered on the corporate or separate websites. The website is the common "retailing outlet" in Internet marketing. From this perspective, the Internet is a gigantic global mall that shelters all websites or "online retail outlets" of the world. Any company that uses the Internet Web has automatically a global supply presence. People with access to the Internet visit the websites - they form the *demand side* of the Internet market. This demand is growing exponentially at double-digit rates every month (Schultz 1999).

By *traditional marketing* (TM) we primarily mean outlet-based retailing which includes various

channel intermediaries such as brokers, traders, distributors, and retailers, under various functions such as warehousing, logistics, delivery, direct mailing, shelving, displaying, advertising, pricing and promoting, service and post-purchase feedback.

THE ESSENTIALS OF THE MARKETING EXCHANGE PROCESS

In comparing various marketing media and their relative efficiency and performance we need first to identify what are the essentials of the marketing process that define marketing, and then check if Internet marketing (IM) could deliver better than traditional marketing (TM) along these essentials. The essence of marketing is to anticipate and effectively respond to the behavior of customers and competitors. Does IM do this better than TM? The answer is not simple; we need to delve further into the essential functions of marketing. A *functional approach* considers marketing as the management of markets in relation to people, place, demand and supply. It has also been noted elsewhere that the only purpose-bound function of marketing is to manage demand by *obtaining demand and servicing demand*. In comparing IM and TM we focus on the basic process of *obtaining and servicing demand*.

Information-Dissemination Performance

Among other things, the following features render information-dissemination by Internet marketing superior to traditional retail-outlet based marketing.

Internet marketing (IM) is highly interactive: The Internet is an extremely efficient medium for accessing, organizing, and communicating persuasive information either by written or spoken word or by visual images (Alba et al., 1997). To make the most of this physical network, software engineers have developed programs and protocols that allow these computers to communicate with each other in different ways (such as the www, e-mail and intranet). The Internet allows for multi-person, multi-way communications between several buyers and sellers at the same time. All these describe an online marketplace managed by a third party, where buyers and suppliers of the world can establish relationships, conduct buying and selling of anything, or any other business. In fact E-commerce portals could eventually offer the most economical and efficient solutions for global buying and supplying (Vigoroso 2000).

Internet marketing speeds comparisons shopping: This feature relates to value-added information. Buyers can order groceries by selecting individual items as they would in a regular grocery store. But they can also access a large collection of popular recipes maintained on the site. One click on a recipe downloads the recipe and loads all the groceries needed to make the recipe-meal into the user's virtual shopping cart. The Internet can also provide instant information on one's previous product or brand purchases on the Internet, with respective prices, quantity purchased, brands considered, brands finally selected, and even post-purchase user experience and satisfaction (Alba et al. 1997). In short, Internet marketing provides an exhaustive search experience that is better than competing retail formats.

The web can tangibilize the intangible: When Internet customers cannot see what they are buying, they look for cues. For instance, the very popular travel-service related Website in Europe www.strolling.com allows its visitors to become virtual tourists (Berthon et al., 1999), and online shopping for apparel has become a reality due to rapid technological advances in information technology (Takahashi 1998).

Internet Marketing's Superior Distribution-Efficiency

Among other things, the following features render Internet distribution system superior to traditional retail-outlet based marketing.

The Internet is an open and comprehensive market system: The web represents a phenomenal open system marketing distribution opportunity. Anybody with a computer, modem, and access to Internet can actively participate in the Internet world. Open access web results in lower entry barriers so that virtually anyone can access and provide content to the Internet. In essence, the web levels the playing field between producers and consumers (Alba et al. 1997). Buyers receive order confirmations, transaction histories, and audit trails. Both buyers and sellers can check order status online at every stage. Further developments in this area include vertical industry buying consortiums, auctions for surplus materials, and pre-negotiated supplier contracts (Vigoroso 2000).

Internet marketing is user-friendly and convenient: Apart from a reasonable level of computer and Internet literacy required of users, Internet buying or selling can be lot of fun, easy to use, and user-friendly. Companies like Peapod, the online grocer, have built their online business around convenience, not price. Peapod's target customer is the busy executive who does not have time to shop. Peapod delivers groceries by courier to the customer's front door, seven days a week, at the time pre-specified, but its customers should be willing to pay a little more than other retail outlet buyers for the greater convenience offered

In the world of industrial sales, droves of business-to-business companies are moving the most routine aspects of their sales processes to the Internet, selling commodity and repeat-purchase products via e-commerce programs, putting catalogs and product information online, tracking orders and even negotiating prices for some deals. As a consequence, business-to-business sales teams spend significantly less time setting up their own sales-presentations, or handling and maintaining customer or prospect accounts, and instead spend more time delivering high-level strategic services to customers. Consequently, closing rates and sales-force commissions have increased dramatically (James 1999).

Internet marketing is also cost-effective

Internet marketing's superiority over traditional marketing in relation to both information-dissemination and distribution system is real and meaningful only if it is cost-effective. The combined features of interactivity and openness, ease and speed of comparison, comprehensiveness, user-friendliness

and convenience make IM more cost-effective. For businesses, online commerce is enticing mainly because of its intense efficiency. The Internet is an extremely efficient medium for accessing, organizing, and communicating persuasive information either by written or spoken word or by visual images. *IM through the removal of unnecessary elements in the supply chain, and by selling directly to the consumers* (Alba et al., 1997), can often result in reduced cost for the customer. To the extent it reduces the number of players in a supply chain and thus changing the existing structure of the market (Jaworski, Kohli and Sahay 2000).

WHAT INTERNET MARKETING COULD DO BETTER?

Current difficulty in Internet search, access, downloading, and transacting - possibly because of narrow bandwidth, redundant connectivity, and heavy traffic - has discouraged site-switching and encouraged brand loyalty among Internet customers. But with new high-speed and broad bandwidth communications being established nationwide, customers may be encouraged to site-switch more often, and accordingly, changing brand loyalties is something that Internet marketers will have to learn to deal with in the future.

Providing Better Information Formats for Internet Shopping

It has been argued that information-dissemination efficiency is primarily a function of the information-format marketers present to prospective customers such as flexibility, compactness, efficiency, and effectiveness. All four requirements deal with quantity or quality of information, or both. IM can be most cost-effective if its interactive information-format presentation efficiency can be improved along all the above four dimensions. When quality is difficult to assess, a strong brand or store name often serves as a surrogate. IM could employ the combination of text, data, sound, color, imaging, and animation to create better brand and store images than retail outlets (Alba et al. 1997).

Providing better formats for comparison shopping

The Internet should use efficient means of screening the offerings to find the most appealing options for more detailed consideration. The attractiveness of the expanded set of alternatives is how well the consumer can screen a potentially daunting amount of information on alternatives to

arrive at one's consideration set and then select the alternative that best matches prior beliefs and preferences. In the future, new softwares could make it possible to screen a large number of alternatives more efficiently. Moreover, Internet marketers should work towards developing and promoting tools that prompt customer memories of past choices, thus simplifying future purchase decisions.

Improving distribution efficiencies

Internet marketers are primarily brokers, manufacturer's representatives, or agents that facilitate exchange. They perform some of the *transactional, logistical and facilitating* functions expected of intermediaries and rely on other independents to perform the rest. For distribution-efficiency, segmentation literature requires that the *target markets*, intermediaries contact, whether consumers or businesses, should be clearly identifiable, measurable in terms of size, accessible, responsive and servable. Two other criteria added are: the target markets should be large enough and stable over time (with reduced demographic or geographic shifts). Additionally, for distribution-efficiency, one would add that the marketers should be able to identify, access, and transact *products* or services from anywhere in the world and at any time. Evidence thus far seems to indicate that IM can perform many of these functions better than TM.

Providing a total product experience

Challenging as it may be the Internet marketers should devise various ways of communicating a total shopping experience on the net. For example, the electronic bookseller Amazon has space for customers to post their own book reviews to aid fellow purchasers - this strategy basically conveys experience of other readers. The Internet website should provide a *faithful reproduction of descriptive and experiential product information*. For instance, most apparel is sold in department and specialty stores because these retail outlets offer faithful reproduction and experiential product information sought by customers buying clothing. In contrast, catalog apparel sales skew toward unfitted clothing items. Internet marketing of big ticket items may get better if new technology plays out as designers hope, and if enough users have multimedia capability to make a 3-D web page worthwhile. The expansion of Internet retailing may depend largely upon the ability to create realistic simulation of products. This is particularly true for

non-mass produced items that the customers need to scrutinize before buying (Takahashi 1998).

Offering unique merchandise assortments

Internet marketers are beginning to offer assortment of complements in terms of unique bundles. For instance, with each bottle of wine offered by *Virtual Vineyards*, customers can get complementary recipes from noted bay-area chefs. The wine-recipe bundle has been successful. Similarly, *Land's End* has developed high-quality, private-brand merchandise. In general, all goods have some combination of search, experience, and credence attributes. While Internet marketers can be more successful with dominant visual attributes than with experiential attributes (such as taste, touch, feel, smell, wear, and fit), the Internet challenge is to offer experience to prospect customers before purchase. Historically, media organizations (TV, radio, magazines, newspaper ads) delivered messages and incentives to customers and prospects. The Internet has taken over this function for "free" and made it much easier for comparison-shopping. This shifts the cost of information-dissemination from the producer and media organizations to the Internet and the accessing consumer. There is a shift in the locus of communication activity from marketing as distribution of information to marketing in response to consumer's discerning demand (Schultz 1999). That is, marketers may have to stop "selling" products; instead they may have to help people "buy" them. That is, company, product and brand loyalties can no longer be bought; they must be earned via customer service excellence. IM is posed to do it better than TM.

CONCLUDING REMARKS

Thus, in relation to process and functional features of marketing, Internet marketing has a definite edge over selling via the telephone, direct mail, television, radio, newspaper, magazines, or through traditional retail outlets. The significant advantage is over essential process features of obtaining and servicing market demand such as buyer-seller interactivity, open and comprehensive buyer-seller transaction systems, speed of extensive comparison shopping, user-friendliness and convenience, tangibilizing the intangible, and all these with buyer-seller cost-effectiveness. However, certain retail-based marketing functions are still beyond the reach of Internet marketing, especially in relation to classical retailing functions such as breaking and stocking bulk, clothes-fitting experience

and alteration, unique personalized service and elegance of certain upscale stores, delivering surgical and hospitalized health care, everyday fresh groceries, and reproducing the exciting fun and flamboyance of holiday shopping. Moreover, system security, customer privacy, merchant and customer fraud are other major problems that Internet and Internet marketing must speedily resolve in order to make further advances on traditional marketing.

Internet marketing is getting to be overwhelmed by non-Internet competitors. The Internet start-ups are sharp but not insurmountable. Competition is entering their turf too, and traditional marketers understand how to compete. For example, challenged by the recent success of e-Bay (market capitalization at \$18.1 billion in October 1999), Microsoft, Dell and Lycos teamed up to establish FairMarket Inc., another competitive auction site. Two Stanford Ph.D. dropouts disappointed with job-interviews at Alta Vista, returned to the University to found Yahoo, and virtually killed Alta Vista market power among search engines. If Internet companies continue to use Internet technology only to sell faster, better or cheaper, and not to innovate and create whole new e-ventures, then Internet marketing has already peaked.

In conclusion, *will Internet marketing replace traditional marketing?* It is already doing this in certain areas. But the TM concepts and cases, theories and models, strategies and tactics are being redefined to capture and match e-commerce and e-marketing phenomena. For instance, given the thrust and potential for *individual customized marketing* of IM, traditional theories and strategies of segmentation, mass production, standardization, and globalization will have to be redefined. Marketing academicians and practitioners may need to retrain themselves to understand and analyze e-commerce phenomena. Now that information provision and persuasion are efficiently taken over by Internet marketing, marketers may have to spend less time in information-persuasion selling but devote more time in understanding and developing models and strategies that people use in buying. This is the challenge, and not a threat, of Internet marketing to traditional marketing. The future of Internet marketing is in its capacity of customizing customization (Lampel and Mintzberg 1996).

The marketing function has undergone dramatic shifts in the past 50 years from mass-production and mass-marketing, to differentiated-production and segmented marketing, to specialized products and

niche-marketing, to personalized products and individual marketing (Sheth, Sisodia and Sharma 2000). Internet and web marketing can facilitate *one-to-one marketing* or *custom-centric marketing* (Sheth, Sisodia and Sharma 2000) or *customizing customization* (Lampel and Mintzberg 1996) much more than any channel of TM. Reaching and serving customers individually will become cost-effective only through the Internet as we have it today. The essence of marketing then is to reach the customers, anticipate their behavior, and help them to make satisfying purchase decisions, win their sustaining loyalty, and thus stay ahead of the competitor. The future of IM is the innovative and imaginative way it

fulfills this essential function of marketing. In this regard, *personalization* is the key to customer interactivity on the Internet. Personalization is "customizing customization" (Lampel and Mintzberg 1996). The concept of personalization has been extensively used in majority of the websites today. Yahoo.com has a MyYahoo Page to personalize content for a specific customer. Travelocity.com has customer specific information that can be stored and retrieved for a specified period of time. Personalization, obviously, increases the chance of site-revisits by customers as also the length of visits, both of which are critical in generating digital brand loyalty.

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DIRECT-TO-CONSUMER PRESCRIPTION DRUG ADVERTISING: AN EXPLORATORY STUDY OF CONSUMER ATTITUDES AND BEHAVIORAL INTENTIONS

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ABSTRACT

This study examines consumer attitudes towards DTC prescription drug advertising and addresses whether it influences consumer behavior. Findings suggest that while consumers do not have particularly positive views about DTC prescription drug advertising, their behaviors and behavioral intentions are nevertheless influenced by it.

INTRODUCTION

In recent years, there has been a dramatic increase in the number of prescription drug advertisements that appear on television, in magazines, and on the Internet. In the year 2000, drug manufacturers spent a total of \$15.7 billion on promoting prescription drugs, of which \$2.5 billion went to mass media advertising. Prescription drug advertising, often referred to as Direct-to-Consumer (DTC) advertising, has increased at an annual rate of 13-20% since 1997. There is some anecdotal evidence that suggests that there is a direct and positive correlation between mass media advertising and drug manufacturers' earnings (Findlay 2002). For example, a recent study reports that for every 10% increase in DTC advertising, there was a one percent increase in drug sales (Kaiser Family Foundation 2003). Equally significant is the fact that brand names such as *Viagra*, *Fosamax*, *Zantac*, *Zoloft* and others have become household names primarily as a result of DTC advertising.

Drug industry advocates point to the "educational" value of such advertising to consumers. However, consumer advocacy groups have charged that FDA's decision to allow DTC advertising of prescription drugs has created or will create numerous problems (Elliott 2002). They argue that these marketing campaigns are nothing more than blatant attempts to market prescription drugs directly to the consumer in the guise of educating the consumer. They also contend that DTC advertising might result in self-diagnosis of "assumed" medical conditions by the consumers, leading to unnecessary and perhaps even dangerous uses of prescription drugs (Chandra and Holt 1999). Finally, consumer

advocates charge that health care costs might go up as consumers "demand" branded drugs to treat their medical conditions even though cheaper, generic versions of the drugs might be equally effective.

Marketing studies of DTC advertising have recently begun to address the role of such advertising in educating consumers particularly within a public policy context. While some claim that there is "little rationale for direct-to-consumer advertising of prescription drugs" (Lexchin and Mintzes 2002, p. 194), others suggest that DTC advertising benefits not only the health-care organizations but physicians and patients as well (Calfee 2002). Drug companies have, of course, argued that DTC advertising serves a very important purpose in that it provides critical information to the consumer regarding the drug and thus, empowers the consumer by enabling him/her to better evaluate the drug's merits.

However, to date, no marketing study has investigated the role of DTC advertising of prescription drugs in creating particular attitudes towards medical decisions. Further, whether these attitudes are also accompanied by certain behavioral intentions has not been investigated. For example, it would be important to address whether increased awareness of a branded drug used to treat a certain medical condition also results in a consumer becoming more informed and proactive about his/her own medical decisions.

This paper presents preliminary results of a study designed to evaluate consumer attitudes towards prescription drug advertising and its influence on consumers' medical choices. In

particular, the following questions were asked in this study:

1. What are consumer attitudes towards DTC prescription drug advertising?
2. Does DTC prescription drug advertising influence consumer behavior (e.g., asking a primary care provider for more information or to prescribe a particular advertised drug)?

BACKGROUND

In the U.S., prescription drugs and medical devices were marketed exclusively to physicians until the late 1970s. As industry pressure mounted, after considerable debate and deliberation, the FDA relaxed its rules in 1997 and for the first time, manufacturers were allowed to provide the name of the drug and the conditions to the consumers but they were not required to reveal all of the product's risks. They were, however, required to mention the most important risks and had to provide additional information upon request via easily available sources such as a toll-free number, the Internet, and print advertising (Wilkes, Bell, and Kravitz 2000). Since then, as DTC advertising has continued to grow, it has also generated tremendous controversy. Industry advocates have argued that it has provided consumers with a much-needed voice in their own medical decisions and is a valuable source of health care information (Anonymous 2001). However, consumer advocates have called industry practices of promoting prescription drugs directly to consumers aggressive and have charged that these practices are not merely unethical but might prove to be potentially dangerous (e.g., Dickinson 2002). It is pertinent to note that only two countries in the world—the U.S. and New Zealand, currently allow brand advertising of prescription drugs, and therefore, the debate surrounding consumer versus drug companies' interests are quite similar in the two countries (Hoek and Gendall 2002).

Within a consumer context, it is important to empirically assess the impact of DTC advertising on consumers. In this category, consumer knowledge, consumer attitudes, and consumer behavior are important areas. For example, it would be instructive to evaluate whether DTC advertising has changed the manner in which consumers acquire, view and utilize medical information. Additionally, it is important to investigate whether consumer behavior has changed as a result of DTC advertising and whether this behavior change has been beneficial to them. To

illustrate, if as a result of DTC advertising consumers have become more attentive to their own medical needs and have taken steps to discuss their medical questions with a medical practitioner, this would be viewed as a positive behavior change. However, if as a result of DTC advertising, they have resorted to "self-diagnosis", have pressured their physicians to provide unnecessary prescriptions, or have resisted competent medical advice, these would be viewed as negative behavior changes. To the extent that DTC advertising adds value to a consumer decision context, it could be argued that the merits of this promotional tool outweigh its potential disadvantages. In contrast, if such advertising does not add value but instead creates a partially informed consumer who makes ill-informed medical decisions to his/her own detriment, it could be argued that there is little merit to DTC advertising and that its primary purpose is to benefit the prescription drug industry by increasing sales.

It can be hypothesized that if consumers have a positive attitude toward DTC prescription drug advertising, it might be reflected in their behavioral intentions (Ajzen and Fishbein 1977). It is plausible then that attitude towards DTC advertising might be a good predictor of behavioral intentions and might predict actual behavior under an optimal set of conditions. The Theory of Choice also provides a relevant backdrop to explain consumer behavior within the present context. Steiner (cited in Shaw and Costanzo 1982) proposed that there are two aspects to choice—decision control and outcome control. Clearly, it is much easier to exercise decision control than outcome control and it is the decision control aspect, which gives a person the perception of having a choice. It can be argued that DTC prescription drug advertising might give consumers the perception of freedom of choice and decision control as they feel that their medical decisions reflect their own judgments rather than those of their physicians.

METHODOLOGY

Survey Design and Sample Description

A paper and pencil survey was developed after a review of the extant literature in the area. A pilot test suggested minor modifications in the wording of some statements to improve communicability. The revised survey was further tested for face and content validity by scholars working in the area of survey design. Overall, the survey contained thirty-five statements anchored from strongly disagree to strongly agree, eight

questions addressing consumer knowledge and behavior regarding prescription drugs and seven standard demographic questions, resulting in a total of fifty questions. A mailing list of adults (aged twenty-one or above) residing in the Northern Illinois region was leased from a commercial list provider. The survey was mailed to two-thousand five hundred randomly selected people from this list. It included a standard confidentiality statement along with an offer to participate in a drawing for \$100. Two hundred eighty-eight usable responses were received in the allowed time-frame. After taking into account the sixty-four surveys which were returned undelivered, the response rate is approximately 12%. The sample consisted of approximately 58% of women versus 42% men. It was quite diverse in terms of income, education, and age but relatively homogenous in terms of ethnic background with the majority of the respondents being Caucasian (approximately 89%). About 90% of the respondents considered themselves to be "healthy" and 94% reported having health insurance which covered prescription drugs at least to some extent.

An Exploratory Look at Consumer Attitudes about DTC Prescription Drug Ads

Approximately 66% of the respondents reported that they pay some attention to prescription drug ads. Interestingly, 63% of the respondents did not know whether DTC prescription ads require government approval (they do not) and 14% believed that some government agency approves these ads (which is not true). Almost 37% did not know if companies can only advertise completely safe drugs (there is no such requirement) and about 13% believed that companies can only advertise safe drugs. However, about 58% correctly noted that the statement, "companies cannot advertise those prescription drugs which might have serious side effects," is false. About 40% of the respondents had asked their physician about a particular drug after seeing an ad and about 15% reported being motivated to inquire about a condition they believed that they might have, after watching a DTC ad. Seventeen percent had requested their physician to prescribe a particular brand of drug after seeing an ad. In about 58% of these instances, the physician did prescribe the requested drug.

There was a near unanimous agreement among respondents that DTC prescription drug advertising has increased significantly in recent years. Almost 95% of the respondents either agreed or strongly agreed with the statement that "in recent years, there has been a considerable increase in

prescription drug advertising". More than 73% of the consumers agreed or strongly agreed with the statement that DTC advertising is nothing more than savvy marketing (mean value = 3.97) and there was a statistically significant difference between men and women (mean values 4.13 versus 3.84; $t = 2.429$, 2-tailed significance = .017) in terms of how they responded to this statement. Furthermore, respondents with advanced degrees were much more skeptical of DTC advertising relative to others in the group. For example, the mean agreement level with the statement about DTC advertising being nothing more than savvy marketing was 4.33 for respondents having a Ph.D. or an equivalent degree, which was significantly higher than those with a Master's degree (mean value = 3.76; t value = 1.989; 2-tailed significance = .050). However, there were no differences among respondents as a function of political ideology, age, or income in so far as this statement was concerned. In general, consumers did not believe that they had become more knowledgeable about their medical needs as a result of DTC advertising (mean value = 2.44) but agreed somewhat that DTC advertising empowers people (mean value = 3.22) by giving them more say in their own medical decisions.

About 65% of the consumers believed that the average consumer does not have the competence to evaluate claims made in a prescription drug ad and 58% indicated that they did not trust DTC ads. Interestingly, more than 80% disagreed that consumers are better informed as a result of DTC advertising. However, only about 46% of the respondents agreed that they were personally opposed to DTC prescription drug advertising and only 42% agreed that DTC advertising of prescription drugs should not be allowed. Democrats more than republicans agreed that they would personally support stricter regulations on DTC advertising (mean values = 3.54 versus 3.21; $t = 2.146$, 2-tailed significance = .033). There were no other systematically significant differences as a function of gender, income, and education. Government's role in approving and controlling DTC ads was supported by only 31% of the respondents but an equal number was indifferent to the idea. About 37% of the respondents supported the idea that DTC advertising should be controlled by the government.

Preliminary Results of Regression Analysis Using Factor Scores

A principal components analysis with a varimax rotation resulted in a 6-factor solution (Eigen values above 1.00) with 62% of variance explained.

A variance extracted of 60% or more is considered satisfactory in the social sciences, particularly in exploratory research (Hair, Anderson, Tatham and Black 1998). The six factors generally reflected the following dimensions of consumer attitudes towards DTC advertising: information value, perceived quality of DTC ads, consumer competence, views about information complexity, views about the primary source of medical information, and beliefs about DTC advertising outcome. Most factor loadings were above .50 and significant indicating a relatively clean factor structure. The first factor, which contained 14 items, extracted the highest amount of variance (25.2%) and the last factor, which contained 2 items, extracted the least amount of variance (4.01%).

Factor scores were used as independent variables in the subsequent regression analysis. Two dependent variables were identified for this analysis: 1) whether DTC advertising would prompt respondents to ask their physician about a drug that they saw advertised to treat a medical condition that they believed they had (DV1 labeled DOCADVICE); and 2) whether respondents would respect their physician's judgment if he/she turned down their request to prescribe an advertised drug that the respondent had requested (DV2 labeled MEDDEC). The mean values for the two dependent variables were 3.54 and 3.90 on a five-point Likert-scale ranging from strongly disagree (1) to strongly agree (5), indicating a general agreement with these statements.

The first step-wise regression with the dependent variable DOCADVICE resulted in three variables being significant predictors of DV1. These comprised of information value (factor 1), perceived quality of DTC ads (factor 2) and perceived

consumer competence (factor 3). Table I (A) presents the results of the regression analysis. As shown, the F-value for the model is 44.799 with a p-value of <.005 and an adjusted R² of .313. Thus, views about the information value of DTC advertising, quality concerns regarding these ads and respondents' views of their own perceived competence were significantly related to their behavioral intentions regarding seeking information from their physician about a particular drug that they saw advertised. It is pertinent to note the relative importance of the first independent variable—information value, as evidenced by the high standardized beta in the equation. The other two, perceived quality of DTC ads and perceived competence, while important, explain lower incremental amounts of variance in the equation.

The second step-wise regression with the dependent variable MEDDEC resulted in two variables being significant predictors of DV2. These comprised of respondents' views about the primary source of medical information (factor 5) and information value of DTC advertising (factor 1). Table I (B) shows the results of the regression analysis. As shown, the F-value for the model is 41.548 with a p-value of <.005 and an adjusted R² of .220. In this model, the higher standardized beta is associated with respondents' views about the primary source of medical information.

In summary, the two measures of behavioral intentions were associated with four factors—information value of DTC advertising (which is a significant factor in both equations), perceived quality of DTC advertising, perceived personal competence, and views about the primary source of medical information.

TABLE I (A): STEPWISE REGRESSION MODEL FOR DEPENDENT VARIABLE 1
Dependent Variable: DOCADVICE

Independent Variable	Standardized Beta	T-value	p-value
Information Value	.532	10.897	.000
Perceived Quality of DTC Ads	-.151	-3.086	.002
Perceived Personal Competence	-.121	-2.474	.014

Model	Sums of Squares	df	Mean Square	F	Significance
Regression	90.325	3	30.108	44.799	.000
Residual	191.544	285	.672		
Total	281.869	288			

Adjusted R²= .313

TABLE I (B): STEPWISE REGRESSION MODEL FOR DEPENDENT VARIABLE 2
Dependent Variable: MEDDEC

Independent Variable	Standardized Beta	T-value	p-value
Views about primary source of medical information	.434	8.338	.000
Information Value	-.192	-3.685	.002

Model	Sums of Squares	df	Mean Square	F	Significance
Regression	22.974	2	30.108	41.548	.000
Residual	158.143	286	.672		
Total	204.090	288			

Adjusted R²= .220

DISCUSSION AND IMPLICATIONS

These preliminary results seem to indicate that consumers do not believe that they have become more knowledgeable as a result of DTC advertising. Nevertheless, responses suggest that consumers feel somewhat empowered by having access to information about various prescription drugs, which might make them more likely to approach their physicians about their health concerns. While a significant percentage of respondents claimed that they understood DTC ads, this claim cannot be evaluated in the absence of a tangible measure which tests their actual knowledge. However, despite a feeling of personal empowerment, consumers do not appear to be overly influenced by DTC advertising in so far as their medically-related behavioral intentions are concerned. These results suggest that respondents are more likely to respect their physician's judgment about their medical condition as opposed to being driven by DTC advertising. Attitude about information value of advertising, perceived quality of DTC ads, perceived personal competence to evaluate DTC drug claims and views about primary source of medical information are significant factors in the stated behavioral intentions of consumers. At the same time, the results also suggest that DTC advertising does affect some behaviors. As noted earlier, about 40% of the respondents had indeed been motivated to ask their physicians about a particular drug after seeing an ad and about 17% had specifically requested a particular drug. In that sense,

it could be said that DTC has a pronounced affect on consumer awareness and behavior.

These findings are interesting because they could be interpreted depending upon one's perspective; drug industry advocates could argue that DTC advertising is doing exactly what they claim it is supposed to do—empower the consumer. They could point to the finding that consumers still trust their doctor's judgment more than they trust DTC advertising but seek medical advice more proactively. However, the fact that consumers do not have particularly positive opinions about DTC advertising can be used to question whether the money that is being spent on such advertising is indeed justified. Public policy advocates could also point to the dangers that could potentially ensue if some patients start demanding a particular brand of drug as was the case with a small but significant percentage of the respondents in this study. A false sense of empowerment may also result in faulty self-diagnosis of assumed medical conditions, potentially resulting in dangerous outcomes. Clearly, a more comprehensive study should include both consumer and physician views about DTC advertising. Particularly interesting would be an assessment of physicians' views about whether they believe that consumers have a better understanding of their own medical needs as a result of DTC advertising. It would be equally interesting to assess whether physicians feel compelled to prescribe branded drugs, which are being specifically requested by patients.

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THE INFLUENCE OF PRINT ADVERTISING VISUAL STRATEGIES ON ATTITUDES AND PURCHASE INTENTIONS: AN EXPLORATORY INVESTIGATION

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ABSTRACT

Few would argue that the effectiveness of print advertisements is heavily influenced by the dominant visual. Visuals offer "stopping power" via their ability to successfully attract and retain a reader's attention. Increased attention to the ad increases recall of the contents and the message that is being communicated. As the vast majority of print ad viewers do not read beyond the body copy, the ability of visuals to illustrate key benefits, usage aspects, emotions, or how the product can fit into a consumer's life is an important one. Surprisingly, very little research has examined the effectiveness of advertising visual strategies in the context of a particular creative message strategy. For example, when using a generic message strategy, is a slice-of-life visual the most effective, or would an illustrative or emotional visual be more effective? The purpose of this exploratory study is to examine the relative effectiveness of these three specific visual strategies when used with a generic creative message strategy.

As the primary intent of this study was to investigate the impact of different visual strategies in isolation of other factors, a 3 x 2 experimental design was employed in which two product types (auto insurance, backpacks) and three visual strategies (illustrative, slice-of-life, emotional) were manipulated. Including both a tangible good and intangible service allowed for the investigation of whether the effectiveness of visual strategies differed by type of product. To limit potential confounding effects, the headline, copy, slogan, logo, layout, and space available for the visual in each ad were identical within the ad set for a given product type. In order to control for potential gender effects, separate ads using male vs. female models were created for both the emotional and slice-of-life treatments for both products and the same models were used throughout all visuals. The generic creative message strategy was chosen because it was the most predominant form of cognitive message strategy identified in prior research.

Usable data was gathered from a total of 446 student subjects. Participants were randomly assigned to ad treatments. Attitudes towards the ad, the visual, the written copy, and the brand were assessed, as were impressions of the relevance of the ad, believability of the ad, memorability of the ad, and purchase intentions towards the brand in question. With respect to the independent variable of product type, ads for the backpack scored higher than the ads for insurance on both the ad believability and purchase intention measures. While significant differences in attitude towards the ad, attitude towards the brand, and purchase intentions based on the manipulations of the visual element did not materialize, the emotional visual did yield more favorable attitudes toward the visual, and was rated as being significantly more memorable than either of the alternative visual strategies. Given this finding, it is possible that the emotional visual strategy may elicit higher levels of advertising recall. Future research could investigate this issue, as well as the appropriateness of using visuals illustrating different emotions, under different creative message strategy conditions, and under varying levels of involvement. The results of these types of studies will provide advertising professionals with information about which visuals work best with which message strategies, thus enhancing the effectiveness of the ads that are ultimately created.

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MOB IT AND SELL IT: CREATING MARKETING OPPORTUNITY THROUGH THE REPLICATION OF FLASH MOBS

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ABSTRACT

The summer of 2003 brought the “flash mob” into the public eye. Also known as “inexplicable mobs” or “flocking”, flash mobs consist of large groups of strangers summoned by e-mail, or cell phone to a designated place to perform some inane task or prank and disperse in a matter of minutes.

By combining a marketing perspective on consumer purchasing with a sociological analysis of collective behavior, this paper lays out a conceptual foundation for the understanding and potential use of “flash mobs” in the procurement of goods and services. The paper follows the framework provided by traditional collective behavior theory and argues that flash mobs are a form of crowd behavior that generate a sense of power. In order to use the power of flash mobs as a marketing strategy, the collective behavior needs to be replicated and directed rather than utilized in its current form.

Flash mobs meet the criteria of a Solardaristic-Focused-Active crowd and also the popular definition of a mob. But while flash mobs meet the criteria for mobs, their objective is purely social, making them distinct. This friendly, web-enabled mob, is neither pathological nor undesirable. To the contrary, flash mobs could become an important vehicle for mobilizing large groups of consumers for the purpose of marketing.

While theorists have suggested institutionalizing some crowd behaviors as one method of dealing with the power of crowds, this paper suggests crowd replication as an alternative. This strategy could provide an exciting and technologically savvy approach to reaching young people in the market place. If it is possible for marketers to replicate flash mobs which prove effective in promotion and sales, it would have implications both for traditional collective behavior theory regarding crowds and mobs, as well as for the marketing of goods and services.

In the case of marketing, the power, energy and attitude innate in a flash mob could motivate sales under the right circumstances. If successful, flash mobs could be the promotional vehicle that connects marketers to the typically hard to reach audience of young people in an exciting and effective way. By engaging in this kind of flash mob, young people can have fun, feel unique, and develop a relationship with a store that they feel understands them. Flash mob sales could become an integral part of a store’s promotional strategy.

Given that fact that fairly large numbers of young people can be mobilized quickly through the web, the possibilities now exist for special sales needing no advanced notice and no traditional media expense. Flash mobs literally allow a retailer to call a sale anytime for free. The central elements however, will always be spontaneity and fun. In order to succeed, flash mobs must be held intermittently, on short notice and have the elements of whimsy, and fun. Only then will retailers benefit from the power of these web enabled collectives.

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BABY BOOMERS: A STUDY IN BUYING BEHAVIORS

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ABSTRACT

An extreme amount of marketing has been geared toward the baby boomer generation, in part because of their huge buying power. As with any market this size, it is important to understand their motivations for purchasing. This paper will discuss status and pleasure buying with the baby boomer generation.

INTRODUCTION

Background

The baby boomer generation consists of 76 million members (Maier, 2003), born between the years of 1945 and 1964, making them between ages 59 and 39 today. This generation comprises 40% of all those over 18 (McGuinness, 1997). The oldest boomers spent an average of \$41,000 annually in 1994-30% more than the average household (McGuinness, 1997). As baby boomers continue to age, the expenditures are expected to grow and change as their needs change.

This study will further develop the ideas brought forth by marketing researchers into the motivations baby boomers have when purchasing products. Previous research shows that the socio-cultural environment a person grows up in has a deep and everlasting effect on their perceptions and views on consumer goods. For the baby boomer generation, the breakdown of the traditional family, the ubiquitous nature of marketing messages and the fact that spending continues to be a form of worship in our society (Manolis and Roberts, 2000) are all socio-cultural attitudes that reinforced baby boomer's spending. Furthermore, the fact that baby boomers grew up in an era of unprecedented growth, with the United States having a trade surplus, all contribute to the psychological reasons that baby boomers purchase (Manolis and Roberts, 2000).

Baby boomers in unprecedented numbers will continue to seek those products that not only meet their needs, but also represent the socio-cultural influences they have grown up with. This study will attempt to decipher some of research available on this topic and will provide empirical data to further prove existing theories.

Statement of Purpose

The purpose of this study is to further develop consumer behavior and buying motivation research on the baby boomer generation, and provide discussion that proves useable to marketing academics and practitioners.

Hypotheses

The central hypothesis for this study was that baby boomers would view their purchasing patterns as purchases for their own personal pleasure, rather than for status.

LITERATURE REVIEW

In their book, *Generations: The History of American's Future 1584 to 2069*, Howe and Strauss, (1991) attempted to answer the question: who are they, what do they care about and what shaped their lives? Their research extends great insight into the field of consumer behavior. In addition, this research provides insight into this study, by understanding the socio-cultural influences the baby boomer generation grew up with.

The book discusses the life voyage thus far for baby boomers, describing it as: "They (baby boomers) have metamorphosed from Beaver Cleaver to hippie to bran-eater to yuppies to what some are calling neo-puritan, (Howe and Strauss, page 299, 1991) "Boomers were blessed from the beginning with what their chronicler Landon Jones described as great expectations...Their GI parents fully expected them to grow up adorable as babies, cute as grade school pupils and striking as they entered their teens, after which their parents would be very proud of them."

Howe and Strauss further discuss the buying habits and patterns of baby boomers. Baby boomers

developed a unique brand of perfectionism in consumption, a desire for the best with a very personal definition of taste (Howe and Strauss, 1991). The mixture of high self esteem and selective self-indulgence has given boomers a reputation for arrogance. Howe and Strauss further explain that the boomer's fixation on self, due to the doting in their early years, has forged an instinct to make plans or judgments according to wholly internalized standards (Howe and Strauss, 1991). The habits baby boomers have when purchasing consist of two main points: their preference for negative product names, such as non-fat, or no-color and their likeliness to buy products that are good, rather than products that taste or feel good (Howe and Strauss, 1991). Furthermore, their aging has had a non-apologetic quality, as though now that they are older, they know better.

Finally, the boomers are the generation that defined "yuppie" in the 1980's. Literally, the word means young urban professionals. Interestingly enough, only 5% of baby boomers match that description, as a much larger proportion fit the subjective definition: self-immersion, and an impatient desire for personal satisfaction.

In summary, the work of Howe and Strauss has added great value to understanding of generations. Baby boomers, doted on by their parents, purchase for personal pleasure and satisfaction. However, if one further views the definition of yuppie, one would find that a yuppie also tends to purchase items to "keep up with the Joneses." The definition of yuppie, according to *The American Heritage Dictionary*, (2000) is a young city or suburban resident with a well-paid professional job and an affluent lifestyle. Given this definition, perhaps, because only 5% of baby boomers fall into the yuppie category, the majority of boomers are trying to fit into the "yuppie" mold of well paid and affluent. This conclusion would support a belief that baby boomers purchase to be viewed as a yuppie, rather than for their own personal pleasure. However, despite these titles and characterizations, baby boomers have "grown up" and now that they have kept up "with the Joneses," they are now more concerned about personal pleasure when purchasing consumer goods.

Rick and Kathy Hicks further develop the notion of socio-cultural influences in purchasing in their book, *Boomers, Xers and other Strangers: understanding the generational differences that divide us* (1999). Hicks discusses a Yankelovich poll taken in 1971 showing that 34% of the population believed that marriage was obsolete, up from 24% in

1969. They also discuss the major increase in consumption at restaurants rather than home, starting in 1977. In 1976, one half of all mothers were employed (Hicks, 1999), resulting in a greater need for daycare, but also a greater increase in incomes for baby boomers as women entered the workforce.

Another point made their book about the changes that happened to the baby boomers parents (called the GI generation or the Silent generation). In his breakthrough book, Dr. Benjamin Spock (Hicks, 1999) announced that, "fathers are just as important as the mothers in raising children" and recognized that children were people with real needs that had to be met. Previous generations took the attitude with children that they are better seen and not heard, but with this new book and their survival of the depression and World War II, they took on these values with enthusiasm. As a result of their parents taking on these new socio-cultural values, baby boomers grew up more doted on and spoiled than previous generations had.

Baby boomers also were the first generation to grow up with television, which resulted in advertising, which resulted in wanting items that one didn't have-whether it be a new toy or a particular kind of food.

Finally, Hicks discusses the growing up process for boomers, which may provide evidence on their buying habits today. Boomers grew up anti-establishment, as seen in the 1960's (Hicks, 1999). Then, when the boomers were unable to change world events (such as the Vietnam war) they became introverted and focused on self, henceforth the 1980's and the Yuppie era. As baby boomers have aged and now have many of the material goods they want, they are now becoming more and more focused on external concepts, such as anti-drug, abstinence and other causes like these.

The breakdown of the traditional family, the ubiquitous nature of marketing messages and the fact the appending continues to be form of worship in our society, (Manolis and Roberts, 2000) are other factors that influence the spending of baby boomers. These factors have likely created an environment that shapes and reinforces beliefs, attitudes and personal norms that are consistent with the idea that overspending and compulsive buying are acceptable forms of behavior (Manolis and Roberts, 2000). In their research, Manolis and Roberts found that effective marketing will be defined by each generation. Specifically, with baby boomers, they discuss how the defining attitudes of generations

change with age. Boomers were raised to be independent and to believe they controlled their own destinies. During the 1960's, these ideals manifested themselves. However, in the 1980's this generation was preoccupied with money and material possessions. Boomers, now, may best be described as struggling to find a happy medium between happiness and financial security (Manolis and Roberts, 2000). Further more, baby boomers are jaded with regard to shopping, marketers and are turned off by advertising and shopping malls that cater to young people.

A synthesis of all authors previously discussed provides evidence that baby boomers were once status-oriented buyers, during the 1980's and early 1990's. As their incomes have increased and they have had more prosperity, this generation, having all they need, care less about the status aspect of owning goods, and focus more on their internal wants and needs. However, the boomers care about value and want good products. The socio-cultural influences discussed relate to the way baby boomers view themselves today, as older Americans. They have not lost the value that they are special, and deserve the best.

METHOD

Participants

As a means of examining the relationship between baby boomers and their buying motivations, a survey was emailed to several members of the population who were asked to email back. A total of 31 members of the convenience sample responded. Included with the survey was an introduction and information on how to fill out the survey.

Procedure and Materials

First, the variables had to be divided into what would be considered pleasure reasons for purchasing versus status reasons for purchasing. The variables considered pleasure, for purposes of this study, were: Buys clothing for fit, comfort, and how the clothing made me feel and made a purchase because I knew it would bring me pleasure. The variables considered status were: what my peer group will think and someone I know has particular item.

Participants were asked to define their age. The age categories specified were: 39-41, 42-44, 45-47, 48-50, 51-53, 54-56, 57-59 and over 60. All of the age categories listed are included in the term baby

boomers (those born between 1945-1964), except for those over 60.

The second question asked participants to rate, using a Likert scale, reasons for purchasing particular items of clothing. The scale was from 1-5, with 1 not being a reason at all, and 5 being exactly when the item was purchased. The six reasons listed included: fit, comfort, trend, affordability, quality and how the clothing made me feel. The third question asked participants to rate, using a Likert scale, reasons for purchasing a particular car (new or used). Again, 1 was not a reason at all, while 5 was exactly why I purchased the car. The six reasons listed included: status of the car, payment options, affordability, reliability, the look of the car and the way the car drives/options on the car. The last question, based on a Likert scale, asked participants to mark their level of agreement with certain statements. Those statements included: My parents wanted me to have things better than they did, My parents spoiled me to the best of their financial ability while I was growing up and My generation has had a large impact on society in general.

RESULTS

Pearson correlations appear in Table I. Those that look for affordability in a car, will generally look for affordability in clothing as well. There exists a positive relationship between those baby boomers that shop for trend and those that shop for how the clothing will make them feel. Those baby boomers that shop for cars based on reliability, will also view comfort and quality of clothing is important. There exists a strong positive relationship in general buying patterns between buying because it was seen on television and making a purchase for pleasure. There also exists a strong relationship between purchasing for personal pleasure and the way the car drives/options it has. A positive relationship exists between general purchasing for quality and comfort of clothing. There is a negative relationship between television advertising and what peer group will think of me. There exists a negative relationship between quality and affordability. A negative relationship exists between status of a car and affordability. For the final set of questions, a median answer of 1.5 was returned for my parents wanted me to have things better than they did. This answer indicates strong agreement toward this statement. For the statement, My parents spoiled me to the best of their ability while growing up, the median returned was 4. This indicated a tendency toward disagreement with this statement. For the statement, My generation has had a large impact on

society in general, a median of 2 was returned, indicating strong agreement toward this statement. The highest response medians, indicating exactly why I purchased the item, include: overall quality, comfort of clothing, quality of clothing and reliability of a car. The lowest response medians, indicating not a reason at all for purchasing, included, someone I know has the item, what my peer group will think of me and television advertising.

The variables considered status were: what my peer group will think and someone I know has particular item. Each of these had a median response of 1 and 1, respectively. The median for the pleasure variables were buys clothing for fit (5), comfort (5), and how the clothing made me feel (4) and made a purchase because I knew it would bring me pleasure (3). The median of this set is 4.5, indicating that baby boomers tend to buy for pleasure. Because the variables that indicated status, were marked as not a reason for purchasing at all (median of 1), and the median for pleasure variables was 4.5 (5 indicated exactly why item was purchased), it can be assumed that baby boomer do purchase for pleasure rather than for status.

RELIABILITY AND LIMITATIONS

There are a few possible threats to internal validity within this study. Selection is one possible threat to internal validity. This is a result of a convenience sample and a low sample number. A possible threat with construct validity could be the potential of hypothesis guessing. A possible threat to external validity could be interaction of selection and treatment, meaning, a possible generalization between sample and general population. In addition, the variables selected were selected by the researcher, and not by existing literature. The reason this occurred is that there is little research existing in regards to the actual reasons why baby boomers purchase. This could be a possible threat to internal validity. To assist in the lower possibility of any of these validity threats, the researcher did not answer any questions the participants asked about the research study, nor did she provide any indication that they survey was directed toward buying behaviors. In addition, the researcher is aware that that due to generalization between sample and general population and the fact it was a convenience sample, the results shown are not necessarily predicative of results that might be representative of the entire population.

DISCUSSION

According to Howe and Strauss (1991), the baby boomer generation was doted on by their parents. It would appear that this is true, as the median of the variable, my parents wanted me to have things better than them was a 1.5, indicating strong agreement toward this statement. However, when asked, my parents spoiled me to the best of their ability, respondents had a median response of 4.5, indicating a tendency toward complete disagreement with this statement. This data might indicate that although baby boomers believed their parents wanted them to have things better than they did, they still do not believe that they were spoiled as children.

In the literature review, Howe and Strauss indicated that because many baby boomers did not fit the "official" description of a yuppie, young urban professional, they tended to fit the subjective definition of yuppie: Self immersion and an impatient desire for personal satisfaction. The median of 2 responded regarding the question, "my generation had a large impact on society" shows that baby boomers do have a tendency in self immersion, furthering the belief that they are special, "adorable as babies, cute as grade school pupils and striking as they entering their teens, after which their parents would be very proud of them," (Howe and Strauss, 1991). The results of baby boomers interested in self-satisfaction in purchasing (Howe and Strauss, 1991) appears to be false. Baby boomers indicated that quality and fit were the most important factors when purchasing clothing. However, it is important to remember that quality and fit could be considered purchasing for pleasure as purchasing something because it fits well can provide pleasure to the buyer. Another possibility is the view that Howe and Strauss believe, (1991) which is the idea that baby boomers have gone through a life voyage and have gone from Beaver Cleaver (who would likely purchase for quality and fit), to hippies to yuppies, back to Beaver Cleaver. Because baby boomers selected quality and fit when purchasing clothing, an assumption could be made that they have come full circle in their purchasing patterns.

Another interesting conclusion is the results that baby boomers have a low median on all three areas that might indicate status, or "keeping up with the Joneses." These status oriented variables included, bought item because someone I know had it, purchase based on what peer group will think and purchase for television advertising. All of these variables had a median of 1, indicating not a reason

for purchasing at all. This result might indicate that baby boomers, although they used to purchase for status reasons, they no longer do. This could be a result of aging, and caring less about what others think, or a result of caring more about personal pleasure in purchasing. The buying for personal pleasure category received a median of 3, indicating that pleasure purchases were more prominent than purchasing for status.

Another point made in the literature review was the idea that baby boomers grew up anti-establishment, and as a result, those things they view as "establishment" they may choose to reject, as purchasing because something is advertised on television. This variable received a lowest score of 1 for reasons to purchase. Despite the idea that baby boomers do not purchase for status, the negative correlation between the variables of status and affordability in car purchasing, baby boomers may still associate status with more expensive items.

In synthesis of the literature review and data collected, indicate a buying pattern of purchasing for status in the 1980's and early 1990's. Because this aging generation now has the prosperity they yearned for, they now purchase for more internal wants. Those internal wants are quality, fit, comfort and reliability (all medians of 5). These wants indicate a shift in attitudes toward baby boomers when purchasing, and the shift will likely continue to happen with all generations as they accumulate income-as they no longer care about impressing others, but rather, would prefer to buy something that provides value to them in their daily lives.

As a general rule, research indicates that baby boomers purchase for personal pleasure, including quality as a factor of personal pleasure. Marketers will be most successful when keeping these factors in mind, and remembering that baby boomers have changed over the years, and no longer purchase for what they believe others will think of them, rather, what the product will make them feel about themselves.

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Table I: Pearson Correlation on Reasons for Buying

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Fit of Clothing (1)	1.00	0.42	0.24	0.22	0.35	-0.28	0.09	0.09	0.12	0.44	-0.34	0.21	-0.11	-0.05	-0.45	-0.25	0.22
Comfort of Clothing (2)		1.00	0.00	-0.03	0.56	-0.10	0.26	-0.21	-0.27	0.87	0.07	0.66	-0.03	-0.11	-0.17	0.11	0.73
Trend of Clothing (3)			1.00	0.08	0.29	0.62	0.22	0.26	-0.02	0.22	0.42	0.10	0.40	0.28	0.44	0.36	0.12
Affordability of Clothing (4)				1.00	0.17	0.16	-0.27	0.44	0.83	0.23	-0.31	-0.30	0.28	-0.09	-0.03	-0.24	0.00
Quality of Clothing (5)					1.00	0.00	0.10	-0.12	-0.21	0.72	-0.03	0.28	-0.10	0.05	-0.11	-0.37	0.87
How the Clothing Made me Feel (6)						1.00	0.00	0.09	0.20	0.10	0.73	0.11	0.35	0.18	0.67	0.66	0.07
Status of the Car (7)							1.00	-0.15	-0.40	0.37	0.21	0.38	-0.15	0.33	0.16	0.63	0.12
Payment options on Car (8)								1.00	0.42	-0.24	0.11	0.12	0.35	-0.05	0.14	0.15	-0.31
Affordability of Car (9)									1.00	-0.02	-0.24	-0.48	0.18	0.01	0.11	-0.12	-0.38
Reliability of the Car (10)										1.00	-0.01	0.23	-0.17	0.29	-0.18	-0.05	0.73
Look of the Car (11)											1.00	0.54	0.25	-0.08	0.68	0.73	0.14
The way the Car Drives/options (12)												1.00	-0.09	-0.16	0.00	0.37	0.36
Someone I know has the item (13)													1.00	-0.24	0.39	0.32	0.04
What my peer group will think of me (14)														1.00	-0.24	0.10	-0.06
Television Advertising (15)															1.00	0.60	-0.10
Made Purchase for Pleasure (16)																1.00	-0.16
Quality (17)																	1.00

Table II: Median response to each variable

Variable	Median
Fit of Clothing (1)	5
Comfort of Clothing (2)	5
Trend of Clothing (3)	2
Affordability of Clothing (4)	4
Quality of Clothing (5)	5
How the Clothing Made me Feel (6)	4
Status of the Car (7)	3
Payment options on Car (8)	2
Affordability of Car (9)	4
Reliability of the Car (10)	5
Look of the Car (11)	4
The way the Car Drives/options (12)	4
Someone I know has the item (13)	1
What my peer group will think of me (14)	1
Television Advertising (15)	1
Made Purchase for Pleasure (16)	3
Quality (17)	5

AN EXPLORATORY INVESTIGATION OF THE FACTORS THAT INFLUENCE THE USAGE OR NON USAGE OF WEB SITE

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ABSTRACT

Information is the life blood of modern operations. Its availability and its security are key issues. The success of any Web site or company depends on the confidence and trust of their customers. Customers will not use Web sites that they do not trust, where the customary evidence of identity and integrity does not exist. While efficiency, convenience and value may offset the loss of personal touch, even then customers will generally not transmit information about themselves through the unbounded world of the Internet unless they know that a Web site will protect and treat their information as carefully as they would.

A study done by Hoffman et al. (1999) on the GVU data found that consumer expectations of privacy depend on the medium. They found that in traditional media, consumer's attitudes toward privacy invasion range from tolerance to resigned disgust. In electronic media however consumers are making it clear that their need for control and protection is utmost. A whopping 87% of Web users think they should have accessibility or complete control over the demographic information Web sites capture, and over 71% feel there should be new laws to protect their privacy online.

Recent market surveys and research reports have shown that, trust and security are still considered the main barriers for acceptance of e-Business (Hoffman et al. 1999). With trust, customers are more likely to share personal information, allowing companies like Amazon.com to offer features like one-click shopping that facilitate online shopping (Morgan 2000).

Ngai et al. (2002) reviewed the literature on e-commerce and suggested that regardless of product or service, a company can begin the process of building trust with their Website viewers and potential customers by (1) maintaining security of the data provided by the customers, (2) giving customers a positive experience and (3) allowing customer's access to their personal information. These steps should build confidence in customer's mind and hence lead to trust in using the Web for seeking and giving information.

This study examined the factors that influence the usage or non usage of Web sites for seeking and giving information, including: (1) personal security concern, (2) accessibility of personal data or information and, (3) knowledge of security tools like web bug, cookies, etc. The objective of this study was to find out how the following constructs: personal security concern, accessibility, and knowledge of security tools, were associated with usage and non usage of Web sites for seeking and giving of information.

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THE RELATIONSHIP BETWEEN PERSONALITY TYPE AND WEB SITE DESIGN

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ABSTRACT

People of different preferences associated with personality types approach problems and communicate differently. These cognitive differences should be recognized by marketers as a key element in marketing interactions. Once identified, these categories of individuals can provide insight as to how a web site could be designed to improve customer relations.

INTRODUCTION

The focus of this paper is to examine the interaction of the personality type preferences with a web site's design. It would appear that since people of different preferences communicate differently, the web site design's interface would impact their perception of the web site. Identifying the dominant personality types in a web site's target market should provide a more thorough understanding of the reasons why the web site may or may not be successful.

Marketing professionals have long recognized the importance of segmenting markets in order to target their efforts towards a homogeneous grouping of customers. Much emphasis has been placed on segmenting by demographics, i.e., age, household size, marital status, income levels, etc. The result is a snapshot picture which describes the targeted customer. This may be helpful for selecting the proper media to reach the customer – by simply matching the demographics of the target market to a media that attracts similar demographics, the organization will hopefully reach their customer.

Some marketers prefer to segment by lifestyle through examining their customers' interests and activities in addition to demographics. Various segmenting techniques may describe your customer but do not necessarily contribute to an understanding of that customer.

One current problem is that markets are becoming segmented to such a degree that it is difficult to find a market segment that is substantial, accessible, and responsive. Furthermore, there are often consumers outside the target market who may be interested in purchasing the product or service.

Thus, by not reaching these consumers, organizations may be losing profitable customers.

Even worse, a business may be using poor marketing and communication techniques to reach that audience. For example, a business may identify a particular demographic they want to reach. But, because they don't properly understand the personality type of this target market, the business may incorrectly approach its customer.

Psychographic segmentation aids in constructing a multi-dimensional picture of the targeted consumer by examining personality, lifestyle, motives, and geodemographics. Psychographics allows marketers to more fully understand who the customers behind the statistics are and how they will react to various marketing appeals. Personality typing provides a means for describing personality differences and provides a more in-depth psychographic tool for defining target markets.

It seems likely that marketing interactions would be subject to the influences of personality. People of different personality type preferences approach problems and communicate differently. These cognitive differences should be recognized by marketers as a key element in marketing interactions. In 1999, Michael Sullivan of Miller/Huber Relationship Marketing stated that "understanding user experience and how people interact with the Web is a big part of establishing a relationship with customers." (Krol) The MBTI (Myers-Briggs Type Indicator) provides a segmenting tool to create marketing strategies with the express purpose of effectively appealing to a particular target market based on personality type.

LITERATURE REVIEW

Personality type theory was first fully developed by the Swiss psychiatrist Carl Jung. Two Americans, Katherine Cook Briggs and Isabel Briggs Myers, created an inventory to help people determine their psychological type. The MBTI measures peoples' psychological preferences in four dimensions: in how and where they get energy (extraversion vs. introversion); what they pay attention to when gathering information (sensing vs. intuition); what system they use to make decisions (thinking vs. feeling); and what type of life you adopt (judgment vs. perception) (Hirsch, 1992). There are two possible choices for each of the four preferences for a total of eight preferences.

Validity of the MBTI has been established through its relationship with other personality measures (McAdams, 1992 and Goldberg, 1993). Thorne and Gough (1991) analyzed information gathered over 30 years in a center for studying personality type and creativity. They reported the highest correlations between the descriptions gathered on the participants and their MBTI preferences. The instrument conforms to testing standards. In 1993, three million copies of the MBTI were sold, which reflects the wide acceptance of this approach to personality typing (Consulting Psychologists Press). In 1985, Myers and McCaulley established a high reliability that is accepted as good for a personality measure. The MBTI is a simple and reliable method of determining a person's type. The simplicity of the test makes it easy for marketers to administer and interpret.

Therefore, the MBTI is widely used in career counseling, education, and psychology. In business, MBTI is used in human resource management, management information systems, accounting, operations management, and to a limited extent, marketing. In 1994, Shank and Langmeyer used the MBTI to study the relationship between human personality and product personality.

Foxall and Goldsmith (1988) found support for theories in which a series of traits are organized into dominant personality or cognitive styles. This proved to be more useful in making sense of consumer decision making than the single-trait studies pursued in the 1960's. Roberts (1982) found

a link between students' personality type and their preference for an instructional media. Yeakley (1983) found strong correlations between personality types and communication effectiveness. Zaltman examined how consumers interact with products by relating those products to images (Yin, 2001). A 2002 study by Kwak, Fox, and Zinkham examined four domains that potentially influence consumers' online purchasing. One of the domains examined was the personality variables of risk and opinion leadership. Most of the internet marketing literature researched focused on technical guidelines, i.e., the use of color and background, providing navigation options, text patterns, etc. that are useful practical considerations to designing a web site, but do not address how these guidelines affect consumer interaction with the site.

CONCLUSIONS

This paper endeavors to explain why people perceive web sites differently. In the past, marketers have overlooked the benefits of examining the personality types of their customers. However, personality typing is an effective means of segmenting and of increasing an understanding of customers. This can only improve interactions with them, which in turn creates a higher level of customer satisfaction.

Web site design research tends to focus on technical issues or on pure aesthetics. While these are important issues to examine in order to advance a relatively new media, consulting with customers should be the first logical step in the design process. Demonstrating the differences in customer perceptions of web sites may allow us to gain a better understanding of how they interact with our site design. Therefore, understanding our customers' personality type communication preferences can help us to create a more effective web site.

Raising awareness of personality typing in marketing appears to be useful to effectively market a web site. To be beneficial, personality typing must be demonstratively effective by creating market segments that are substantial, accessible, and responsive. It appears that personality typing would have many uses in consumer behavior that would well be worth exploring.

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Table 1 - Characteristics of the MBTI Preferences

<p>Extraversion (E)</p> <ul style="list-style-type: none"> • Gains energy from others • Want to experience things in order to understand them • Work by trial and error • Like variety • Is distracted easily • Enjoys being active in public • Auditory & visual communications 	<p>Introversion (I)</p> <ul style="list-style-type: none"> • Enjoys being alone • Wants to understand something before trying it. • Persistent • Like a quiet space to work in • Concentrates well • Enjoys privacy • Oral & writing communications
<p>Sensing (S)</p> <ul style="list-style-type: none"> • Likes facts • Realistic and practical • Works steadily step by step • Patient and good with details • Wants other's suggestions to be straightforward, feasible, and practical • Likes specific examples • Prefers detailed descriptions frequently 	<p>Intuition (N)</p> <ul style="list-style-type: none"> • Sees possibilities and patterns • Imaginative, speculative • Likes to see the overall picture • Impatient with routine • Wants other's suggestions to be unusual and challenging • Prefers general concepts • Prefers metaphors and analogies
<p>Thinking (T)</p> <ul style="list-style-type: none"> • Analytical and logical • Critical • Clear and consistent principles • Prefer brief and concise communication 	<p>Feeling (F)</p> <ul style="list-style-type: none"> • Trusting • Empathetic • Clear and consistent values • Prefers friendly and even time-consuming communication
<p>Judging (J)</p> <ul style="list-style-type: none"> • Decisive • Organized and systematic • Likes to have things decided and settled • Enjoys finishing things • Regimented • Desire to do the right thing 	<p>Perceiving (P)</p> <ul style="list-style-type: none"> • Curious • Leaves things open • Sample many more experiences than can be digested or used • Enjoys starting things • Tolerant and adaptable • Desire to have many experiences and miss nothing

Sources: The Myers-Briggs Type Indicator: A Critical Review and Practical Guide and Lifestyles

THE IMPACT OF INFORMATION TECHNOLOGY INFRASTRUCTURE ON MARKETING PROFICIENCY

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ABSTRACT

One of the most visible marketplace trends is the adoption of information technology (IT) to improve the ability of firms to understand and meet the needs of customers. Firms are installing or upgrading networking computer hardware, software, and telecommunications devices in order to conduct web-based buyer satisfaction surveys, data mine for new segments, and share market research across departments. At the same time, firms employ or contractually utilize a host of computer analysts, programmers, and engineers to design, implement, and support complex information systems. Despite the ubiquitous presence of information technology and supporting personnel, there is still little known about the impact of information technology on marketing proficiency.

The purpose of this paper is to utilize the Resource-Based view to develop theoretical links between IT infrastructure and marketing proficiency. Since the Resource-Based viewpoint has been used to explain recognized intangible assets such as cross-functional integration, organizational knowledge, and firm performance, an opportunity exists to extend this theory in the areas of IT and marketing proficiency. The Resource-Based Theory would support the proposition that alignment between IT resources and proficient marketing create valuable, difficult-to-imitate, and rare resources that allow firms to provide products and services to customers with benefits superior to those of the competition. A literature search of the information technology, management, marketing, and product development literature has been utilized to support this argument and the propositions presented.

The IT infrastructure is composed of two segments; the technical and human IT infrastructure. The IT technical infrastructure is defined as the set of tools that enable electronic business, the latter consisting of the following components: network infrastructure, security infrastructure, application server, data and content management tools, hardware and operating systems, and systems management. The IT human infrastructure includes human and organizational skills, expertise, competencies, knowledge, and organizational structures. When these resources are combined and implemented properly the result is enhanced marketing proficiency in the areas of relationship marketing and new product development, both of which represent sources of sustained competitive advantage for firms.

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ADVENTURES IN TEAM TEACHING: THE PARALLEL COURSING STRATEGY

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ABSTRACT

Parallel coursing is defined as, "two courses taught in part in the same space and time by two different faculty teaching two separate classes." Parallel coursing was developed to allow interdisciplinary teaching across professional schools in order to mimic real processes. One application of the concept is presented and evaluated.

INTRODUCTION

Parallel Coursing is two courses taught in part in the same space and time by two different faculty teaching two separate and distinct classes.

Why do we need a new term or a new form of team teaching?

New product development was taught in both the school of engineering and the school of business. Although each school approached the topic from different points of view there were many similarities in the content. In industry teams of business and engineering professional develop new products. These facts led the faculty in each school to seek a framework to teach new product development in an integrated fashion to both engineering and business students. Accreditation problems, turf squabbling and an administrative bureaucracy were problems to be overcome. The concept of parallel courses allowed the faculty to solve the administrative, turf and accreditation problems. By employing the concept of parallel courses, two or more courses are taught concurrently but the faculty and students in each course maintain their independent curriculum, school or college assignments and most of all grading system.

The first issue involves accreditation. The engineering school is accredited by ABET, the American Board of Engineering and Technology and the business school is accredited by the AACSB International, the American Association for Collegiate Schools of Business International. Each accrediting body wants students in their field to be taught and evaluated by faculty with terminal degrees in the field. The second issue is one of turf. University faculties are territorial. The academic silos where faculty teach, and research, also resemble

castle towers, protected from outsiders. Who could teach it better than one of us? But how then do you team-teach across the towers? Finally you have the bureaucracy in the administration. That bureaucracy approves classes and scheduling, assignment of faculty, and many other course related issues. The bureaucracy doesn't care that a faculty member is teaching with a colleague from another school. The administration only cares about how he or she accounts for the hours taught? Who gets the credits for the class? Who assigns the rooms? Etc. Faculty members complicating the process risk getting burned.

How is Parallel Coursing Different?

There are several different ways in which courses have been team-taught in the past (Levenburg, Lane, Simha, and Farris, 2003). First, in segmented teaching the faculty teams acts like a wrestling tag team; faculty teach different segments of the same course sequentially. For example, following through the Product Life Cycle one faculty member might teach introduction, another faculty member might teach, growth, another maturity, and perhaps another teach decline. To the students, a segmented class looks much like a traditional class. At any moment the students are confronted with one faculty member imparting information. The students have a syllabus that shows them who is presenting what when. The responsibility for grading may rest with one faculty member or be shared among the faculty team. The faculty do not share expertise with or interact with each other.

A shared course might have two faculty assigned to the same course and they both enter the classroom in the face-to-face context or on line together. Thus the students are in one course receiving inputs from multiple faculty members. The

students are presented with a syllabus that has both faculty members' names on it. The two or more faculty members are jointly responsible for all students in the course so in addition to teaching together they are probably grading together.

Another method of team teaching is interchangeable sections. A group of faculty members are teaching the same course with two or more sections. The faculty members are suppose to deliver the same material in similar ways so that students can attend any combination of labs, lectures or recitations. The faculty member of record grades each student's work. This structure provides student with schedule flexibility does not foster interaction between faculty teaching the course.

Parallel coursing is different from the other team teaching strategies discussed above in three ways. First the faculty and students involved in the parallel courses should have different areas of expertise and the subject of the courses should be related to these areas of expertise. The ability to study related topics from different perspectives is the advantage of the parallel coursing strategy. The second difference is that some topics are covered with the all participants in the parallel courses together and other topics are covered separately with the participants in their own classes. Although the subject of the parallel courses are related not all topics are covered by both classes. Finally the grading and course credit reside with the individual courses and their faculty. This solves many problems with the accreditation bodies and the administration.

PARALLEL COURSING ENGINEERING DESIGN AND MARKETING NEW PRODUCT CLASSES

In the winter of 2003 the program was launched with two courses: Engineering Design and Marketing New Product (Lane and Farris, 2003). Two faculty, five paying corporate clients, and two classes were in the first cycle. The two classes were scheduled to meet on the same night in different rooms of one building. One of the assigned classrooms was large enough to hold both classes. Therefore the faculty members were free to hold one combined class or two separate classes. On the first night the classes were together to hear the clients describe their product challenges, the experiential school was not consulted. At first the Engineering administrators could not understand why the business faculty were calling and asking for an explanation. School administrators are not use to thinking about faculty sharing responsibility and therefore having

component. Teams of students, guided by the faculty, had fifteen weeks to take the clients' rough idea through the new product development process. Each team had approximately equal numbers of engineering and business students. The course was designed to mimic industry practice, problems and promote meaningful interaction between engineering and marketing.

It was extremely difficult work. The net result was five completed projects, some great product ideas, energized students, a list of beneficial changes for next year, and much insight into the rewards and challenges of teaching parallel courses. Some of those rewards and challenges are presented below.

Issues presented in the pentagonal model of stakeholders

The perceived interactions amongst the stakeholders are discussed below.

Administrative

To minimize the problems involved in launching a parallel course, the administration must be involved in the planning. The administrators must understand that decisions they have made alone in the past must be made in conjunction with another school. For example, when the Engineering school decided to change the day of the week of the design class, the business

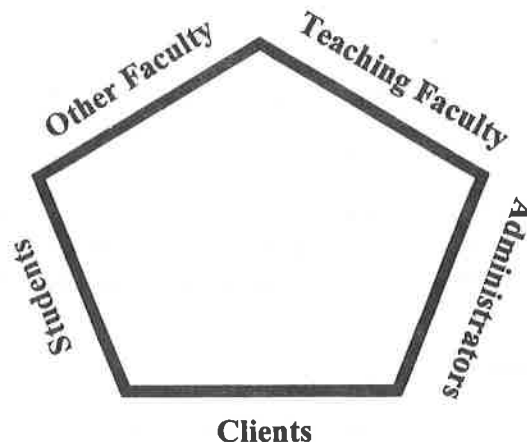


Exhibit 1. The pentagonal model of parallel coursing stakeholders.

common needs across schools. Similar problems can be encountered when the parallel courses consume or generate money. Who controls these resources and how will they be dispensed?

Administrators are also receiving comments from faculty not involved in the parallel course, students and sometimes clients. Students, both taking and not taking one of the courses, and other faculty, who were curious about the program, often turned to the administration with questions. If the administration is not well informed, misinformation can be disseminated or the faculty teaching the courses may receive multiple requests for information and clarifications. Also the clients sometimes interact with the administration. For instance a client company would encounter a Dean at a civic function and enquire about the progress of product design. This can lead to some interesting questions from the administration.

Other faculty

The authors did not sufficiently educate their colleagues about the first offering of the parallel courses. To be fair these colleagues were not interested until they started hearing about the course from students in the class. They had concerns about accreditation, credits for teaching, and the topical coverage of the class. Other faculty did not seem to understand the purpose of the parallel courses. They still do not understand fully. Since these faculty members had not designed the courses, they were not aware of the complexities.

This was fueled by comments from students as they talked with faculty. Again because parallel coursing is new, there does not exist a shared framework within which to communicate. Some faculty, not surprisingly, think that you are team teaching and therefore the issues of discipline, credit and so forth come up. In the first cycle with the clients, other faculty thought that this was some kind of mysterious moneymaking machine. It is not. Students expressed legitimate concerns to colleagues, about cross functional teams, about the time in each discipline, about projects verses lecture in classes, and about a required course in engineering verses a business elective.

Students

Students made the program a success. Some of the students embraced the idea of parallel coursing from the first day. They carried their excitement through the class and made the effort worthwhile. Other students were more cautious. These students had registered for a course that they needed to fulfill their program and had no idea that they were involved in parallel coursing until the first class meeting. Even though the course web sites described

the structure of the course in detail, there was no requirement that you go on line before the class began.

Student expectations were an immediate problem. The parallel teaching faculty had developed expectations about what could be accomplished. Students having registered for a course had natural expectations about what that course might be like based on the way it had been offered in the past or their experience with other courses. Expectations lead to satisfaction. The faculty did not fully realize this point. The gap between student and faculty expectations should have been addressed at the first meeting of the course.

Students were interested and excited by projects. Many students had questions about grading, teams, course coverage, the two textbooks and much more (Crawford and Di Benedetto, 2003, Ulrich and Eppinger, 2000). In grading they of course wanted to know what the reward structure was and who would be responsible for their evaluation. There were questions about how the grading worked from both engineers and marketing students.

Students also wanted to know about the topical coverage. What would they learn in engineering or marketing? The students in marketing taking an elective may have been a bit more casual while the engineers in the required course were full of concerns. As the semester moved on this switched. In part because many of the business students were engineers coming back for as MBA degrees and they wanted to be sure that they got the marketing content that they were after.

Students are a direct source of information for other faculty and the administration. Students interact with the administration at various committee meetings, social functions, and on the university campuses. In trying to be sure that team members workloads were somewhat equal the faculty assigned estimated hours of work to some course components. Some students were not prepared for the level of effort suggested by the time estimates. Naturally the negatives in life get talked about more than the positives.

The students are the primary contact with the clients. They wanted to do a good job for the clients all of whom are major employers in our area. This was facilitated in part by in class meetings at the beginning, middle and end of the semester. This seemed to be a very positive exchange.

Teaching faculty

The teaching faculty had to interact with everyone. The job started and ended with the administrators who had to be persuaded to try parallel coursing. Along the way the faculty had to be sure that administrators always knew what was going on and what had occurred. The student issues are always expected. One may not know what they will be, but they will be there. That is the job of teaching faculty to interact. Grading was a complex issue. Team assignments were often used to facilitate interaction between the marketers and engineers. Therefore the faculty had to work hard to ensure that the grading fair and reasonable on both sides. This also served as a cross-disciplinary learning experience for the faculty.

Clients

The client based projects were the glue that held parallel courses together. They added the excitement and the drama. On the first night of the class, it was obvious that the clients would provide a lot of excitement. A large appliance manufacturer, a national supplier of plastics, a national supplier of transportation seating, an international supplier of filtration systems and a fledgling high tech medical supplier sponsored the five projects. These clients stimulated the students and the faculty. They became the five cases of the course. They became wonderful resources for faculty and students. The faculty had to devote much time to recruit the clients, to negotiate the contract, and to keep them informed of the progress of their projects.

LESSONS LEARNED

Student expectations

Satisfaction is the result of student expectations being met. One of the problems in the first cycle of the program was that student expectations were ignored. Faculty who did not think about the impact of taking students out of a traditional class mode without changing their expectations, were left with students expecting another type of class. They were not expecting to set aside the time for the customer-orientated projects. Students also need to understand that they will be process as much as results. A creative idea does not guarantee a high grade.

An anticipated addition to the program is the idea inviting NPD professionals to speak about their experiences. Hopefully the professional's stories will

adjust student's expectations and convince the students of the need for continual change and iteration. The more students can understand the changes are likely to occur as they move through the process, the more student satisfaction the faculty can expect.

Continuous calendar

Students need help with the idea of a continuous calendar that changes all the time in a class setting. They are used to receiving a calendar that is organized by week or by day. They know what is due and when. In addition students expect that when they complete one element of the course that material will not be revisited. In most courses when you complete a section you are done. New Product Development is different. Teams have to be prepared for continuous change; tasks take longer than expected and new information impacts work already completed. This is true in both engineering and marketing.

It is the nature of innovation and NPD that you are never done. Knowledge gained in one step leads to more innovation and change. The goal is to make students adept at knowledge based change. Knowledge based change is the ability to make the necessary changes in a timely fashion and alter the calendar in a way that respects the needs of all team members. A calendar negotiated between Marketers, Engineers and Management is essential. The new plan is to have the faculty provide an initial calendar. Students will have to adjust the calendar to accommodate their iterations. Iterations occur at any time and students need to be prepared to be flexible. A group ahead one week can be sent back by knowledge gained. It is important to impress upon students the value of iteration. Only failed products are developed without iterations.

Class time

Some students feel that they have paid for a course in subject A and do not want to bother with subject B. The faculty will have to work on the amount of time in each subject for each student. If the business course is again loaded with engineers, the faculty will have to work harder to ensure that enough marketing background is covered. One of the ways of correcting this situation is to offer an early review of prerequisite marketing expected in the course.

CONCLUSIONS

Parallel coursing opens the doors to more cross-disciplinary work in separately accredited schools. It allows educators to bring real world

situations into the classroom. It allows teaching what the job market needs. It works especially well with experiential learning. It allows the professional school to meet the current calls for interdisciplinary work in new ways.

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RURAL AMERICA REDEFINED: ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT REALITIES IN “RURAL-RURAL” AMERICA

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ABSTRACT

Rural America must be more clearly and carefully defined as it relates to entrepreneurship and economic development. A new category called “rural-rural”—small areas with declining population—must be identified and studied. Entrepreneurship and economic development models function differently in rural-rural areas than they do in traditionally defined rural centers, especially in terms of capital structure, community benefit, banking and finance, and exit strategy. The primary solution being touted today to reverse declines in rural-rural America is entrepreneurial training. Unfortunately, the real obstacles for entrepreneurs in rural-rural America are not lack of training or entrepreneurial spirit.

Traditional economic development models promote the use of workforce training, tax incentives, financing subsidies, economic development cooperatives, and other public and private resources intended to attract facilities and jobs. Applying conventional rural economic development and entrepreneurship models in a rural-rural environment may miss the mark. A new model warrants exploration and development; one that takes into account realities of rural-rural America.

Difficulties of rural-rural entrepreneurial activity described in this paper include 1) the inability of businesses in rural-rural areas to develop collateral within the business, 2) the inability of the rural-rural entrepreneur to harvest the business, 3) the outflow of wealth, 4) the myth of full employment, 5) the inability to attract labor, 6) a remote location, and 7) the fallacy of entrepreneurial training solving economic problems.

Proposed solutions in the paper include 1) developing unique guidelines for acceptability of projects in rural-rural areas, 2) setting new guidelines associated with risk by investors in rural-rural opportunities, 3) buying down interest rates associated with entrepreneurial projects to the point of affordability for new start-ups, 4) allowing the community to partner with the entrepreneur by the entrepreneur’s selling shares in the venture to the community, 5) providing incentives for angel investors to participate in rural-rural enterprises, and 6) enabling the entrepreneur to harvest the start-up by selling his/her interest to the community.

Current entrepreneurship and economic development realities described in this paper are working against what rural-rural America has to offer: a better quality of life, increased personal safety, a strong sense of community, and more. The development of a more viable economic model that may be used to solve unique capital and operating problems facing rural-rural entrepreneurship opportunities should be a top priority for those interested in the long-term sustainability of rural-rural America.

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CRITICAL SUCCESS FACTORS AND PROBLEM BUSINESS AREAS: A COMPARISON OF FAMILY OWNED AND INCORPORATED SMALL BUSINESSES

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ABSTRACT

This study supports the concept that the legal form of small businesses may be a valuable addition to the commonly used measures of age and size as estimators of a firm's stage in its life cycle (the measure of maturity of a small business). A survey was taken of 400 small business owners drawn from a mid-sized Texas city to measure owners' perceptions of critical success factors relevant to them. Evaluation of the responses required reducing the response rate to 178 completed surveys. The survey instrument consisted of demographics, self-perceived problem business areas, and self-perceived critical success factors for their business. Key differences were found in average factor scores of the critical success factors for quality and marketing, supplier issues, employee issues, and market demographics. These contrasting perceptions between legal forms indicate a higher level of sophistication and planning of the incorporated firms that is likely to increase their chances of success. This increased sophistication, as well as the demographic data on firm age, suggests that the incorporation step is a measurable milestone in a firm's life cycle.

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SOCIAL CAPITAL: ITS FIVE PROPOSED DIMENSIONS AND ITS ROLE IN FAMILY BUSINESS COMPETITIVE ADVANTAGE

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ABSTRACT

This paper explores past research on "social capital" and suggests that it can be divided into five identifiable and measurable dimensions. This paper closes with an exploration of family firms and suggests that they are an ideal environment from which to study the effects of social capital on firm performance.

INTRODUCTION

The term social capital first arrived on the scene in the sociology literature. It initially appeared in community studies, highlighting the central importance of networks of strong, crosscutting personal relationships developed over time that provide the basis for trust (Nahapiet & Ghoshal, 1998; Putnam 1993). Putnam (1993) referred to social capital as being akin to a moral resource. He viewed social capital from a community level of analysis and found it to be embodied in what he referred to as networks of "civic engagement." Communities, Putnam argues, did not forge networks of civic engagement because of their prosperity. Instead, they became prosperous because they were civic (Cohen & Fields, 1999; Putnam, 1993). Of late, research has taken a more micro view of social capital, with increasing interest in regards to its potential effect on firm performance.

To understand how social capital can theoretically affect firm performance, this discussion is framed in a resource based view of the firm perspective. A key concept of RBV theory is found in the examination of an organization's reach for sustained competitive advantage. Strategy theorists share (1) the view that the strategic imperative of a firm should be sustained, superior financial performance, and (2) the belief that this goal can be achieved through a sustainable competitive advantage in the marketplace (Hunt, 1999). Sustained competitive advantage occurs when a firm develops a distinctive core competency. A distinctive core competency consists of some task or operation that a firm can do, not only very well but better than anyone else in the industry (Prahalad & Hamel, 1990). This distinctive core competency, if valuable in the

market, rare, unimitable, and unsubstitutable, will lead to a sustained competitive advantage (Barney, 1996). This paper will argue that high levels of social capital in firms can lead to competitive advantage for a firm because of the relationship that social capital has with resource development and that this competitive advantage can become sustained because social capital is not available on the strategic factor market. It must be developed internally by the firm.

Barney (1986) tells us of strategic factor markets. When the implementation of a strategy requires the acquisition of a resource, a strategic factor market develops. If strategic factor markets are perfectly competitive, all rents will be competed away in the market. It is only when the market is imperfect (information is imperfectly known) that there is potential for rent. Derickx and Cool (1989) suggest that not only can strategic factor markets be imperfect but they can also be incomplete. An incomplete strategic factor market is one where the strategic factor in need is simply not available. This non-appropriability may stem from various sources, such as being time or path dependent, firm specific, or others. Being non-appropriable, these assets must be developed internally. It is towards the identification of these internally developed assets that this research into social capital is based. It has been theorized that social capital is one of those underlying assets, uniquely held by successful firms that contributes to a sustained competitive advantage over their competitors (Nahapiet & Ghoshal, 1998). While not contributing directly to sustained competitive advantage, social capital is theorized to be a critical ingredient, or at least a very helpful ingredient, in the creation of other assets more

directly connected to sustained competitive advantage.

Social capital can serve as a resource position barrier because it has the capacity to do a variety of things and it is non appropriable through the strategic factor market. Some of those positive things, identified in prior research, are that; It increases the efficiency of action (Lesser, 2000). It diminishes the probability of opportunism (Coleman, 1988). It encourages cooperative behavior (Coleman 1988; Nahapiet & Ghoshal, 1998). It is an important element in the development of human capital (Coleman, 1988). It facilitates the development of collective intellectual (Nahapiet & Ghoshal, 1998). It provides access to resources through network ties (Burt, 1992). It contributes to a firm's ability to create value in the form of innovation through the facilitation of combination and exchange of resources in a firm (Kanter, 1988; Kogut & Zander, 1993; Schumpeter 1934). Social capital's collective nature facilitates the development of individual intellectual capital. It does so through increased individual learning opportunities, as well as allowing existing individual capital to be freely shared and enacted in a more collective and organizationally effective manner (Fukuyama, 1995; Leana & Van Buren, 1999). In the language of economics, social capital can reduce transaction costs. It can operate as a substitute for leadership (Kerr & Jermier, 1978), and bureaucracy (Perrow, 1972). And, it has a role to play in the development of core competencies (Kogut & Zander, 1996). The inappropriability of social capital comes from its very nature. It is, to this point, not clearly understood, poorly defined, and almost magical in its inner workings. This research attempts to further define and dimensionalize the concept social capital.

THE CREATION OF SOCIAL CAPITAL

Before an organization can use social capital as a resource position barrier, the organization must first create social capital. Time is important for the development of social capital since social capital depends largely on stability and continuity of the social structure. Because, at its core, social capital is about relationships, it is eroded by those factors that make people less able to be interdependent (Lesser, 2000). Some factors that enhance interdependent relationships are trust (Lesser, 2000; Adler & Kwon, 1999), reputation (Coleman, 1988), reciprocity (Lesser, 2000), and closure (Coleman, 1988). Interaction, which promotes things like trust and reciprocity, is a precondition for the development and maintenance of dense social capital (Bourdieu, 1986;

Nahapiet & Ghoshal, 1998). It is quite likely that many variables that are described in the literature as outcomes of social capital, in fact, operate reciprocally with it, i.e., trust (Leana & Van Buren, 1999). Adler and Kwon (1999) went so far as to suggest that trust might actually precede social capital. Because of the destabilizing effects of downsizing on network ties and social structure, researchers argue that downsizing quickly destroys social capital (Leana & Van Buren, 1999). This conclusion is supported by a related argument that the members of a social capital network (not the organization) jointly own organizational social capital (Leana & Van Buren, 1999). Downsizing removes network connections and leaves gaping holes in the social network fabric of the network both within and outside the organization (Burt, 1997; Leana & Van Buren, 1999; Sanderfur & Laumann, 1988). Social capital can best be described as being jointly owned because no matter the dimension of social capital being discussed it always involves at least two actors. It is located, not in the actors themselves but in their relations (Lesser, 2000).

Another way that an organization can develop social capital is by selecting only those people who share the organization's values and goals (Bigley & Pearce, 1998). This develops the social norms dimension of social capital. Social norms encourage the development of closure (Coleman, 1988), conditions of trust and reciprocity (Putnam, 1993), and organizational culture. Leana and Van Buren (1999) identified three basic employment practices that help develop organizational social capital: (1) develop stable relationships among organizational members, (2) develop organizational norms of reciprocity, and (3) have a well developed bureaucracy and specified roles. Use of social capital is also an important factor in its growth since, unlike many forms of capital, social capital increases, rather than decreases, with use. This is a result of the close connection between social capital and relational and network ties (Burt, 1992). These ties, necessary in the creation and maintenance of social capital (Adler & Kwon, 1999) are maintained, extended, and strengthened through use (Sanderfur & Laumann, 1988).

DIMENSIONS OF SOCIAL CAPITAL

The literature suggests that social capital can be separated into five distinct dimensions. They are information channels, social norms, identity, obligations and expectations, and moral infrastructure. Listed below are the separate

dimensions and a more complete description of their makeup.

Information channels

Information channels are social networks within the organization and also are the mechanisms that connect them to the outside world. Information channels are the most obvious example of social capital. They are the directly observable inventory of social capital. Information channels also contain the formal structure of an organization. This dimension of social capital consists of personal relationships that people develop with each other through a history of interaction.

Burt (1992) described social capital in terms of networks and discussed ramifications of structural holes. Structural holes are those areas of the network not well connected. Structural holes, while beneficial at an individual level for those able to take advantage of the boundary spanning opportunities presented by them, are not beneficial for an organization to have within itself. Structural holes within an organization hamper information flow and foster competition. One of the benefits of high levels of social capital is the limiting of structural holes within the organizational network. Through high levels of this dimension of social capital, organizations can gain direct access to economic and other resources privately possessed in the network (Portes, 1998). The major benefits that a well-developed information channel provides are abundant and strong ties within the network. These ties, in turn, provide closure (Coleman, 1988). Closure can be described as the existence of sufficient ties within a social network to guarantee the observance of social norms. A modern day example of closure would be tight communication between parents in a community so that information about misbehaving children almost immediately is communicated to their parents and corrective action is immediately taken. Within businesses, closure provides for more intense adherence to norms, a stronger feeling of obligations and expectations and a heightened sense of identity. In our current society, we also have closure concerning our law enforcement networks. They share information and communicate with one another. This enables them to better enforce the laws.

Social Norms

Social norms provide for social control in an organization. They are general, internalized sets of accepted behavior for members of the social network.

Social norms are a common belief system that allow participants to communicate their ideas and make sense of common experiences (Adler & Kwon, 1999). They are shared strategic visions, systems of meanings, and normative value orientations (Nahapiet & Ghoshal, 1998). Social norms increase efficiency of action and reduce external unknowns. They also contain shared knowledge and history for an organization. They are the accumulated history of the organization in the form of social structure appropriate for productive use by any member of the social network in the pursuit of his or her interests (Sanderfur & Laumann, 1988).

Obligations and Expectations

Lesser (2000) viewed this dimension of social capital as the positive interactions that occur between individuals in a network. These interactions have been viewed as positive largely because of the levels of trust and reciprocity that they engendered (Putnam, 1993). The existence of these obligations and expectations of future benefit are nurtured in an organizational environment containing strong social ties and are hampered by the absence of these ties. One of the manifestations of these obligations and expectations is reputation. Reputation is the expectation of others (outside the network) concerning a family business's future conduct. Reputation cannot arise in an open structure (Coleman, 1988). In order for reputation to occur, there must be closure and supporting social norms. This provides for collective sanctions to ensure trustworthy conduct by employees both within the business and outside the network. Since the need for monitoring is reduced, reputation then leads to reductions in transaction costs, efficiencies in resource procurement, lower costs of capital, and other efficiencies (Burt, 1992; Uzzi, 1997). Reputation manifests itself in organizational dealings with those outside the organizational social network.

Within a network, obligations and expectations lead to collective trust, which becomes a potent form of expectational asset (Knez & Camerer, 1994; Nahapiet & Ghoshal, 1998). Collective trust allows group members to rely on each other more generally to help solve the everyday problems of cooperation and coordination (Kramer, Brewer & Hanna 1996). With collective trust present, group members can rely on one another to follow through with things expected of them and obligations owed by them. Group members are then more willing to work for the group with the knowledge and expectation that the group will work for them when the time comes. Collective trust strengthens

obligations and expectations. Charles Sabel (1993) referred to the development of this collective trust as studied trust. It comes about through a process of learning, a process of determining how to create forms of consensus building among economic actors with both competing and mutual interests. There comes from this process a situation of mutual confidence.

Identity

Identity occurs when individuals see themselves as one with another person or group of people (Nahapiet & Ghoshal, 1998). The individual takes the values or standards of other individuals or groups as a comparative frame of reference (Merton, 1968; Tajfel, 1982). Identity with a group or collective enhances concern for collective processes and outcomes, thus increasing and strengthening group norms and collective goals. This group identity increases perceived opportunities for information exchange and enhances frequency of cooperation (Lewicki & Bunker, 1996). In contrast, where identity is not present there are significant barriers to information sharing, learning, and knowledge creation (Child & Rodrigues, 1996; Pettigrew, 1973; Simon & Davies, 1996).

Moral infrastructure

The fifth dimension of social capital is moral infrastructure. While support for the dimension of moral infrastructure as a part of social capital is somewhat limited in the management literature, there is support for it in the sociology literature. A moral infrastructure is identified as the structure or network, which allows an organization to encourage norms of conduct within the organization's scope of influence. Putnam (1993) refers to this dimension at the community level as networks of civic engagement. Civic engagement refers to people's connections with the life of their community and includes such things as membership in neighborhood associations, choral societies, or sports clubs (Blanchard & Horan, 1998; Putnam, 1995). These networks, whether existent within an organization, or within a community, provide an additional pathway for network actors to learn of the trustworthiness of individual actors within the network. This provides additional closure for social norms and gives individuals, acting in their own rational self interest, solid reasons to act in ways that adhere to formal and informal codes of conduct in their organization (Blanchard & Horan, 1998). Portes (1998) notes that members of communities with a substantial stock of social capital find it much easier

to work. This is largely a result of the trust engendered through social capital effects such as the existence of closure and social norms (Coleman, 1988). These items, then, provide the structure from which organizations can pin their belief systems and from which formal and informal codes of ethics can flow. This is the moral infrastructure of an organization.

Five dimensions together

Without strong information channels which create strong ties between individuals within the organizational network, there is no opportunity for the organization to experience closure (Coleman, 1988). Without closure, there is no opportunity for the organization to develop strong social norms and for identity to begin to take hold. Finally, without strong social norms, there is no opportunity to develop a system of obligations and expectations and to provide for the adherence to a set of ethics, both formal and informal (the moral infrastructure). While each of these dimensions is separate and each provides distinct benefits to the organization, they are mutually dependent on each other for their development. Lesser (2000) summed it up nicely when he said, "social capital, at its core, is about the value created by fostering connections between individuals".

As mentioned above, it has been argued from a resource-based view of the firm perspective that those resources found to be especially valuable are those that are rare, durable, imperfectly imitable, and non-tradable (Derickx & Cool, 1989). These resources can then lead to sustained competitive advantage. From the previous discussion we know that social capital is non-tradable, and imperfectly imitable in the sense that takes time to create and, as yet, is not well understood. Social capital is durable in the sense that the more it is used, the more social capital is created. Therefore, it can be theorized that social capital has the potential to aid in the creation of core competencies which can act as a resource position barrier and lead to sustainable competitive advantage (Kogut & Zander, 1996).

SOCIAL CAPITAL IN FIRMS

In the family business literature, family businesses are purported to have a competitive advantage over non-family businesses. As a group, family businesses have consistently outperformed the Standard & Poors 500 (Moscatello, 1990). Family member employees are more productive than non-family employees (Rosenblatt, deMik, Anderson, &

Johnson, 1985). Family businesses have the ability to bring out the best in their workers (Moscatello, 1990), have lower transaction costs overall (Aronoff & Ward, 1995), and they generally hold a trustworthy reputation (Tagiuri & Davis, 1996). Family businesses have a "family language" that allows them to communicate more efficiently and exchange more information with greater privacy (Tagiuri & Davis, 1996).

Family businesses may be deriving a large part of their seemingly endowed competitive advantage from this underlying prerequisite for social capital. They come ready equipped with these familial relationships, which provide a foundation for instant social capital. Non-family businesses, on the other hand, must expend large amounts of resources and time in order to achieve the same level of social capital, and even then it may be impossible for non-family businesses to reach the levels of strong social ties present within a family business structure. Because of the intense and immediate presence of social capital within family businesses, there would likely be a quicker convergence of individual goals towards a collective goal within family businesses than non-family businesses. Within the non-family business, values and ways of working collectively must be communicated to new members, socializing them and shaping their perceptions and job related behavior (Louise, 1980). Family businesses have the benefit of instant socialization. Socialization costs incurred by non-family businesses can be spent in more productive endeavors by family businesses.

Family businesses, at least those with high quantities of social capital, come ready equipped with generous portions of both norms of reciprocity and, in general, stable relationships. Moreover, research suggests that family businesses have a well-developed family language that allows them to communicate more efficiently (Tagiuri & Davis, 1996). Family relationships generate unusual

motivation, cement loyalties, and increase trust (Tagiuri & Davis, 1996). They also generate commitments to their missions (Moscatello, 1990). These traits are evidence of high levels of both norms of reciprocity and stable relationships. In terms of motivation, loyalty, and trust, family relationships generate unusual motivation, cement loyalties, and increase trust (Tagiuri & Davis, 1996). While trust and family capital are separate concepts, the two are mutually reinforcing. There is, therefore, a close relationship between sources of trust and sources of social capital (Adler & Kwon, 1999). Family businesses have a more trustworthy reputation and a lower overall transaction cost (Aronoff & Ward, 1995; Tagiuri & Davis, 1996). In addition to the advantages noted above, family businesses tend to be more creative and pay more attention to research and development (Pervin, 1997; Ward, 1997). They seem to have more of a capacity for self-analysis (Moscatello, 1990). Family businesses tend to be known for their integrity and commitment to relationships (Lyman, 1991). They have less dependence on their environment and therefore are less susceptible to negative downturns (Donckels & Frohlich, 1991). Family businesses have been described as having patient capital, that is, they are able to see the big picture better and are more patient in waiting for the long term outcome (de Visscher, Aronoff, & Ward, 1995). And, finally they have a lower cost of capital (Aronoff & Ward, 1995).

Because of these traits of family businesses, social capital is theorized to have a natural home within family businesses. Family businesses, therefore, make an ideal climate within which to study social capital. If social can be found in any environment, it should be able to be found and measured in a sampling of family businesses. Therefore, a natural next step in this line of research is to study the presence of social capital within family businesses and the relationship between levels of social capital and family business performance.

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THE ORGANIZATIONAL SET-UP OF GLOBAL ACCOUNT MANAGEMENT (GAM) – TWO CASE STUDIES

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ABSTRACT

The study of organizational set-up in Global Account Management shows, that the supplier can improve its relative power position towards the customer, not only by having central headquarters negotiations with customer's headquarters, but also by offering local production and adapted services in various geographical locations, where the customer is active

INTRODUCTION

The coordination of customer management across national boundaries, commonly referred to as Global Account Management (GAM), has emerged as one of the most prevalent corporate responses to the globalization of markets (Birkinshaw et al., 2000). Yip and Madsen (1996), describing GAM as the "new frontier in relationship marketing," identified this organizational form as a vital platform for the successful implementation of a number of globalization strategies.

The purpose of this paper is to offer some insights into how GAM's organizational set-up is managed in different types of supplier-customer relationship, seen from the supplier perspective. The resource dependency theory is used to gain a better understanding of the GAM phenomenon, which is then illustrated from the view of two different supplier enterprises on the B-t-B market: A LSE (Large Scaled Enterprise) and a SME (Small- and Medium-sized Enterprise). The main question in the paper is how the supplier can increase its relative power position towards the customer – the Global Account (GA).

GAM – DEFINITION AND THEORETICAL BASIS

GAM can be understood as a relationship-oriented marketing management approach focusing on dealing with the needs of an important global customer (Global Account = GA) in the business-to-business market. Consequently GAM can be defined as an organizational form (a person or a team) in a global supplier organization used to coordinate and

manage worldwide activities, by servicing an important customer centrally from the headquarters (Harvey et al., 2002).

A Global Account is a customer that is of strategic importance to the achievement of the supplier's corporate objectives, pursues integrated and coordinated strategies on a world wide basis and demands a globally integrated product / service offering (Wilson and Millman, 2003). Global account manager is the person in the selling company who represents the selling company's capabilities to the buying company, the buying company's needs to the selling company, and brings the two together.

Successful GAM often requires an understanding of the logic of both product and service management. Moreover, excellent operational level capabilities are useless if strategic level management is inferior, and vice versa – the GAM approach combines strategic and operational level marketing management.

In summary, the importance of GAM strategies will grow in the future (Harvey et al. 2002). The development of relational contracting with a large, global customer – the cooperation between a customer and a supplier into a long-term global relationship has a number of positive outcomes (Arnold et al., 2001) However, a great deal of learning is necessary upon deciding to implement a GAM strategy, because high stakes and high exit barriers accompany the implementation (Hollensen, 2003).

RESOURCE DEPENDENCY THEORY

The resource dependency theory can be viewed as a systematic way of examining the dynamics of bargaining power between two organizations, in this case a supplier and a customer (a Global Account). We use the theory to suggest that GAM may be a tool for increasing the supplier's power position vis-à-vis the customer. As set out by Pfeffer and Salancik (1978), an organization can be viewed as dependent on another to the extent that, (1) the latter controls a resource that is important to survival of the former, (2) the latter holds discretion over the use of that resource, and (3) there are no other sources to that resource. If organizational survival is defined as the ability to acquire and retain resources, it therefore follows that the successful suppliers strive to improve their relative power position against the customers. The following two cases shows how it may be implemented:

TWO CASE STUDIES

In the following the problem is illustrated by two supplier enterprises in the global B-t-B market: A Large Scaled Enterprise (LSE), Sauer-Danfoss, and a Small- and Mediumsized Enterprise (SME), AGRAMKOW:

Saur-Danfoss

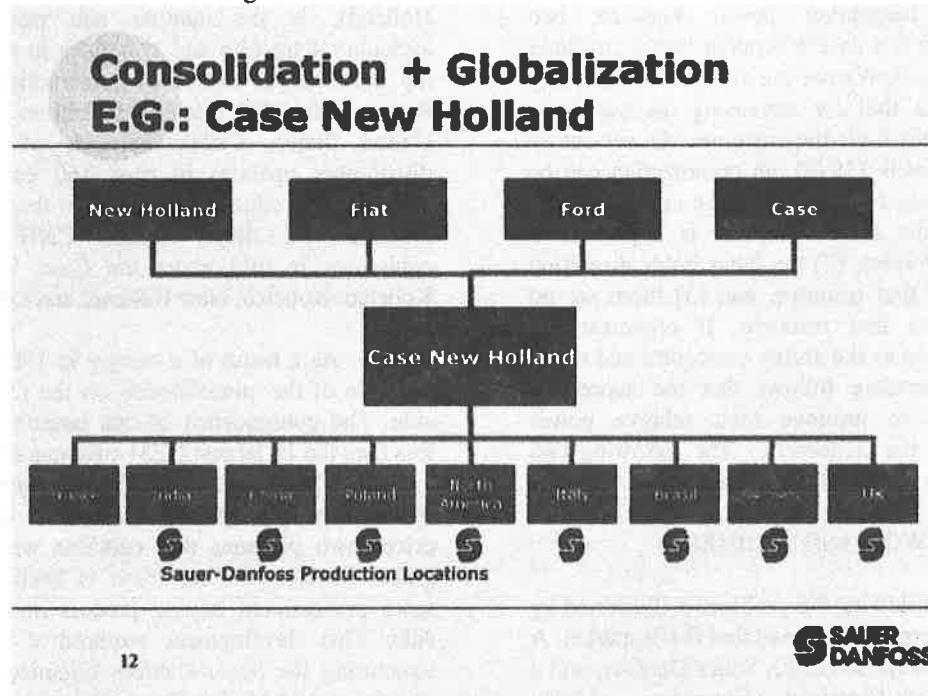
Sauer-Danfoss is one of the world's leading companies for the development, production and sale of hydraulic power transmission systems – primarily for use in mobile work vehicles. Sauer-Danfoss, with more than 7,000 employees worldwide and revenue of app. USD 950 million, has sales, manufacturing, and engineering capabilities in Europe, the Americas, and the Asia-Pacific region. Sauer-Danfoss' key global customers (GAs) are John Deere, Case New Holland, Ingersoll-Rand, Agco and Caterpillar. A typical Sauer-Danfoss system integration solution consists of: Main propel pump, auxiliary pump, wheel rear assist motor, front main axle motor, microprocessor, electro hydraulic valve, and a joytick.

One of Sauer-Danfoss' main Global Accounts (OEM-customers), CNH (Case New Holland), is the number one manufacturer of agricultural tractors and combines in the world and the third largest maker of construction equipment. Revenues in 2002 totaled \$10 billion. Based in the United States, CNH's network of dealers and distributors operates in over 160 countries. CNH agricultural products are sold under the Case IH, New Holland and Steyr brands. CNH construction equipment is sold under the Case, FiatAllis, Fiat Kobelco, Kobelco, New Holland, and O&K brands.

As a result of a merger in 1999, CNH is an example of the consolidation on the OEM customer side. The consequence of this consolidation is that less than the 10 largest OEM customers will represent more than half of Sauer-Danfoss' potential sales over the medium to long-term. There is no doubt that the price-down pressure will continue worldwide. The global business culture trend is leading towards a more professional buying process on the customer side. This development required a new way of structuring the Sauer-Danfoss organization, and the answer was GAM (See Figure 1).

As illustrated in the Figure 1, Sauer-Danfoss has met the requirements of CNH's worldwide production units by forming local production locations and GAM team groups in India, China, Poland, North America, Italy, Brasil, Germany and UK (but surprisingly not in France). In partnership with CNH the GAM teams try to find more cost-effective solution, rather than simply reduce the prices. Sauer-Danfoss is following CNH into low cost manufacturing countries, like India and China. At all the worldwide production units of CNH there is a pressure for a higher degree of outsourcing and a request for value added packages. Sauer-Danfoss tries to fulfill this requirement by supplying pre-assembled kit packages and delivery of more system solutions to CNH's local production units, but still in a very close coordination with CNH's American HQ.

Figure 1: Danfoss' GAM directed towards CNH



AGRAMKOW Fluid Systems

AGRAMKOW (Denmark) was founded in 1977 by Asger Gramkow based upon the will to become one of the world's leading developers and suppliers of filling equipment for fluid refrigerants, which is used e.g. in refrigerators or in a car's air-condition installations. In 2002 GRAMKOW's total sales was app. USD 30 million, of which 95% was realized outside the home country (Denmark). The total number of employees is 150.

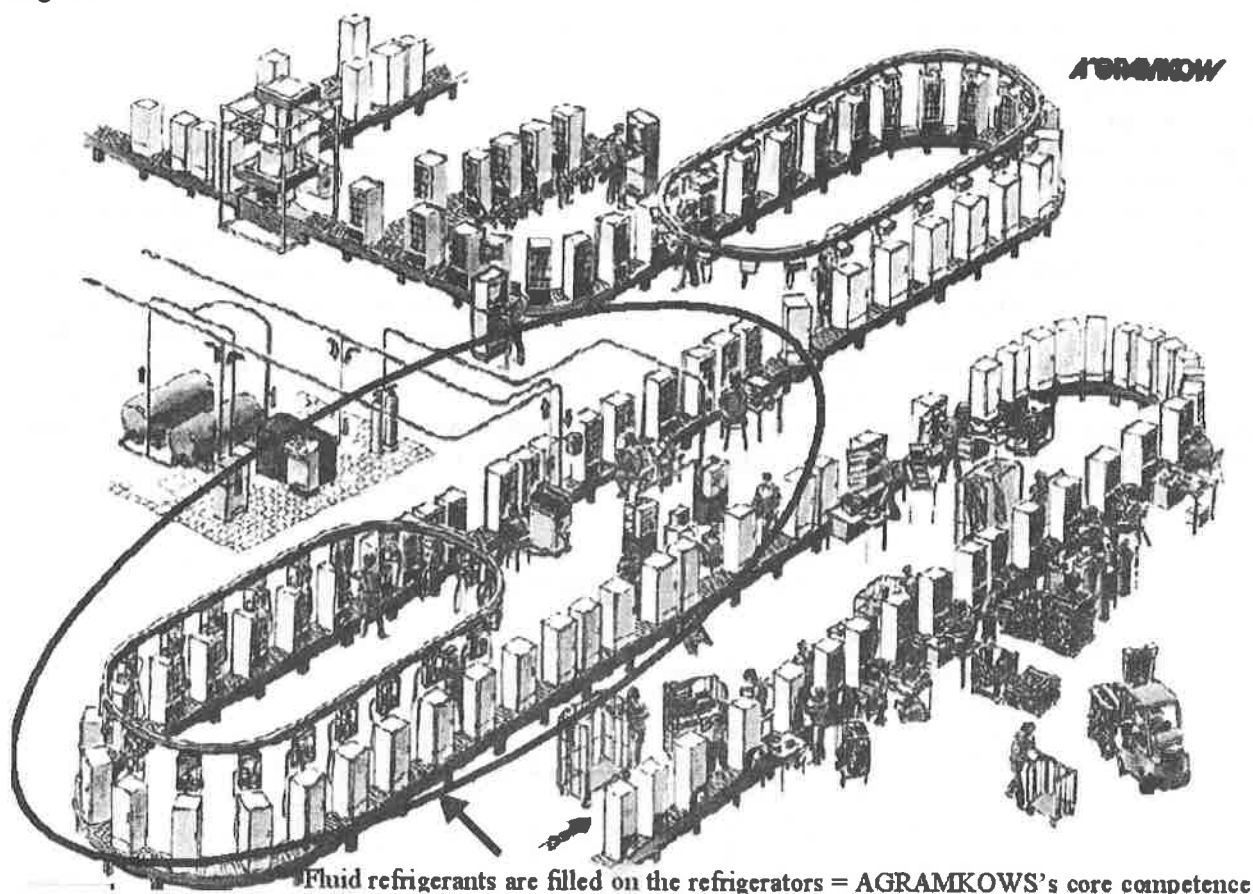
AGRAMKOW's mission is the following:
To improve our customers' processes and business performance – safe and reliable. Generally AGRAMKOW has divided their business into two main SBUs:

AUTO: AGRAMKOW develops, designs and installs fluid systems to AUTOMotive manufacturers globally.

RAC: AGRAMKOW develops process fluid fill systems for the Refrigeration and Air Condition industries globally. The rest of this case will primarily concentrate on this part of GRAMKOW total business.

In practice AGRAMKOW's process fluid fill system is fitted into the total production line of a refrigerator manufacturer. Figure 2 shows the GRAMKOW's core competence in a customer's refrigerator production line, e.g. Electrolux's production line in one of the worldwide production lines. Besides the fluid fill product, AGRAMKOW has a further department, ITS, which develop electronic control units, measure- and test equipment and enterprise solutions (like the refrigerators in Figure 2) for the refrigeration and air condition enterprises. These solutions see to that the end-products from the production line are tested and that the whole production flow is optimized

Figure 2



In the RAC-business the global customers (GAs) are big multinational companies like: Whirlpool (USA), Electrolux (Sweden), Samsung (Korea), Haier (China), Siemens (Germany), General Electric (USA). It is a fact that the global customers are getting fewer and bigger by mergers and acquisitions.

AGRAMKOW has a global network of direct and independent service centres – each of them staffed by trained experts. All of our service centres are stocked with a complete line of maintenance, spare and repair parts for all AGRAMKOW and related partner products.

AGRAMKOW has “only” got 2-3 subsidiaries around the world, but instead of having several subsidiaries to support the local production units of the major GAs (like in the Sauer-Danfoss case), they have done a lot to transfer the values of AGRAMKOW to distributors and agents, in order to turn them into partners, so they would act as if they were own subsidiaries, with internalized

AGRAMKOW values. The AGRAMKOW management has implemented this partner-strategy by inviting all the potential partners to common seminars and meetings at the AGRAMKOW HQ in Denmark. The purpose of these meeting have been to increase the partners’:

- Common team spirit & commitment to the AGRAMKOW shared values and goals. This have achieved also by including some common social activities, e.g. sport activities and beer drinking.
- Sales skills for AGRAMKOW winning of the local GA business
- Technical competence for installation, integration, maintenance and repair of AGRAMKOW equipment / solutions
- Understanding of the necessity for constant feedback to AGRAMKOW on performance and other market activities (e.g. competitor activity)

Afterwards the individual partner and his organization (e.g. the Chinese partner) has been in a better position to take care of customized products, local service and customer care directed towards the local GA unit, e.g. the local Electrolux refrigerator production unit in China. In this set-up, the Management team at AGRAMKOW HQ (Denmark) together with the team at Electrolux HQ (Sweden), would still have to take care of the global coordination of AGRAMKOW activities aimed at Electrolux's production units around the world.

Despite the positive development there have (of course) been some difficulties in the process of turning the distributors and agents into partners. Especially those, who have a relatively small turnover

of ARAMKOW products and services, have been somewhat reluctant in the process.

CONCLUSION

The two cases show that the supplier can increase its relative power positions in GAM by offering local adaptations of the GAM strategy. The consolidation of many industries (illustrated in e.g. Figure 1) has meant that the customers have been able to improve their relative power positions against their suppliers. However, as we have seen in the both cases, the supplier can offset this increasing power by making local resources (local production and/or services) available for the customers' local production units around the world. The modified GAM-model is shown in Figure 3.

Figure 3: The modified GAM model

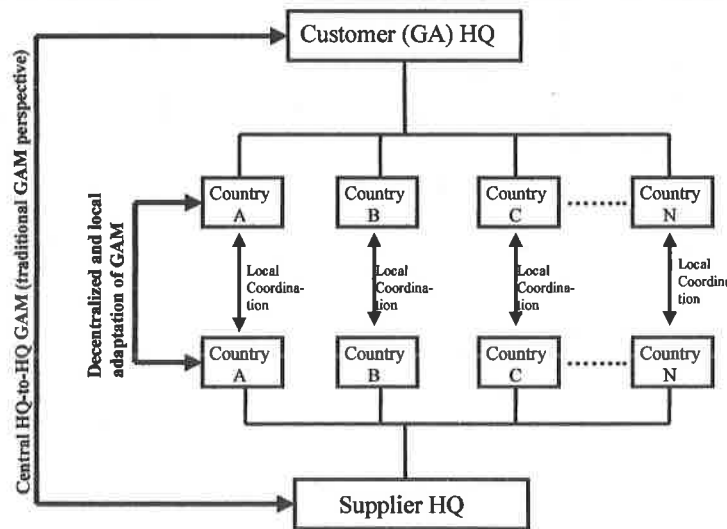


Figure 3 shows a combination of a central and decentralized approach to GAM.

Local /decentralized adaptations of the central GAM-strategy would normally be very resource demanding for the supplier to implement, requiring investments in own local subsidiaries around the world (illustrated in the Sauer-Danfoss case). However, the AGRAMKOW case shows, that it is not always necessary for the supplier to have own

subsidiaries. AGRAMOW has been able to transform distributors and agents into partners, with shared AGRAMKOW values and goals. In this way AGRAMKOW have reached a stage, where the different partners handle the GA's production units in a similar way, across the world.

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AN EXAMINATION OF DOMESTIC PURCHASING BEHAVIOR IN A HIGH GROWTH TRANSITIONAL ECONOMY

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ABSTRACT

This study examines the role of cultural openness, patriotism and consumer perceptions of relative product quality in ethnocentricity and consumer domestic purchase behavior in a high growth transitional economy of Slovenia. Data collected in personal interviews. A measurement model was tested using covariance analysis and found support for all hypothesized relationships.

INTRODUCTION

Over the last decade, a large number of countries have transitioned from a centrally-planned economic system to a more Western-based, free-enterprise system. The list of countries includes at least thirteen from Eastern Europe and eight from the former Soviet Union, including Russia itself. In addition, several other Asian countries, such as Vietnam and China, are currently in the process of moving toward such a transition, although at a slower pace. A number of the Eastern European countries have exhibited inordinately high economic growth rates over an extended five-year period, and with membership in the EU imminent, this pattern of high growth is expected to continue.

The purpose of this research is to examine consumer resistance to economic integration in one such country that has thus far succeeded in its transition from a totalitarian regime to a free market economy—a country currently on the verge of integration with Western economies. As will be explored, a longer-term successful economic integration in such a country will depend, in part, on the level of consumer resistance to purchase of foreign (vs. domestic) goods in these economies, as resident consumers increase in affluence.

THEORETICAL BACKGROUND AND HYPOTHESES

An individual's desire to purchase foreign versus domestic goods is central to the construct of consumer ethnocentricity, which has been defined as "the beliefs held by consumers about the appropriateness, indeed morality, of purchasing

foreign made products." (Shimp and Sharma 1987, p. 280). Further, Granzin and Olsen (1998) have examined patterns of influences leading to domestic purchasing behavior — defined as an individual's purchase-related behavior in support of the domestic economy. Indeed, the link between domestic purchase behavior and ethnocentricity is well documented.

In contrast to ethnocentrism outcomes, the sources of consumer ethnocentric tendencies have not been extensively investigated. Sharma, Shimp and Shin (1995) extended their original work on the conceptualization and measurement of consumer ethnocentrism by proposing a model that examined why and under what conditions this phenomenon occurs. Several constructs such as "patriotism" and "openness to foreign cultures" were also proposed as antecedents to individual ethnocentricity. Within the current scope of transitional economies, Balabanis, Diamantopoulos, Mueller and Melewar (2001) examined the sources of ethnocentrism in a cross-cultural context, by comparing Turkish and Czech consumers. They found there to be a country-specific effect of patriotism and nationalism, yet an insignificant effect of internationalism on consumer ethnocentric tendencies. In another cross-cultural study of ethnocentric behavior in Central Europe, Vida and Fairhurst (1999) reported significant differences in consumer ethnocentrism across the four countries investigated. They also confirmed a significant impact of cultural openness (operationalized as brand awareness), as well as some demographic variables (i.e., gender, age), on the intensity of consumer ethnocentric tendencies.

The impact that a consumer's knowledge about a product's country-of-origin has on subsequent product evaluations has been well-documented in the consumer behavior and international marketing literature (e.g., Bilkey and Nes, 1992; Parameswaran and Pisharodi, 1994; Peterson and Jolibert, 1995; Piron, 2000). For example, in a market segmentation study of Turkish consumers, Kucukemiroglu (1999) found that non-ethnocentric consumers tended to have significantly more favorable beliefs, attitudes and intentions regarding imported products than did ethnocentric consumers. Moreover, similar to results reported in a recent study by Kaynak and Kara (2002), Kucukemiroglu also found that ethnocentric consumers tended to lead significantly different lifestyles than non-ethnocentric consumers. In their study, Kaynak and Kara used a factor analysis of AIO statements to examine the relationships between consumer lifestyles and ethnocentrism. They found that those Kyrgyz consumers classified as being more homemaker, community-oriented, price-conscious and dependent, displayed stronger ethnocentric tendencies. Alternately, they found that the Adventurer, Fashion-conscious and Independent consumer segments exhibited weaker ethnocentric tendencies. Based on this existing body of previous research, the authors propose the following hypotheses:

H1: Domestic Purchase Behavior is determined, in part, by the ethnocentric attitudes of consumers in a transitional economy.

H2: Cultural Openness is an antecedent to ethnocentricity in a transitional economy.

H3: Patriotism is an antecedent to ethnocentricity in a transitional economy.

In addition to hypothesizing that patriotism affects domestic purchase behavior through the intervening variable of ethnocentricity, there is sufficient reason to believe that patriotism affects domestic purchase behavior directly. In fact, Han (1988) suggested a direct causal link, suggesting patriotic consumers are more likely to purchase domestically produced goods than foreign products. This was the first empirical test that directly tested the relationship between patriotism and the choice of domestic versus foreign products. Using an information processing paradigm, Han argued patriotism affected behavior through both cognitive and affective avenues. Moreover, his test of three products further verifies this direct linkage. Thus:

H4: Patriotism is a direct antecedent to domestic purchase behavior in a transitional economy.

One of the under-examined areas of domestic purchase behavior relates to perceptions of relative quality of foreign versus domestic goods. Indeed, anecdotal evidence suggests that perceived quality differences in Western products versus those in transitional economies may be one of the primary drivers behind the purchase of foreign products. In fact, in some cases transactional economy production processes have degenerated to the point where many products are perceived as being exceptionally inferior, thus forcing consumers to purchase Western products independent of their ethnocentric or patriotic tendencies. For example, Murgulets et al. (2001) used some 8,000 personal interviews to show that the transitional economy of Russia is indeed becoming more competitive, but hardly in line with Western economies. Thus:

H5: Relative Quality Perceptions is a direct antecedent to domestic purchase behavior in a transitional economy.

METHODOLOGY

An examination of transitional economies led the authors to the conclusion that Slovenia was ideal for the current study. Slovenia is a relatively successful transitional economy on the verge of EU membership and has successfully navigated the transition from a centrally planned regime to a free market economy. In slightly over a decade, it has achieved a GDP per capita of over US\$10,000 or adjusted for Purchase Power Parity, a GDP of over US\$17,500. As a result, it meets the requirements of having achieved relative prosperity and the ability of its consumers to wield relatively significant purchasing power, at least to the point where they can support the importation of more sophisticated consumer products. Furthermore, the relatively homogeneous and small population allows for good external validity from a given sample to the population.

The authors used a survey data collection method, with a quota sampling method based on gender, age and education. The initial sampling frame corresponded to the demographic characteristic of the country as identified by the Statistical Office of the Republic of Slovenia (SURS, 2002). Professionally trained research assistants were used to collect the data in all five geographical regions of the country, using a collection of 15- minute personal interviews. The final sample consisted of 714 individuals. Demographic characteristics of the

sample are presented in Table 1. There were more women in the sample than men, and the average age of respondents was slightly over 42 years. Approximately fifteen percent of respondents had earned a university degree, and almost 60 percent of

respondents reported being employed or self-employed. A bit over 10 percent of the participants stated they have above the average household income relative to the rest of the population in Slovenia.

Table 1. Sample Characteristics

Size: Number of Respondents	714
Gender: Male	45.8%
Female	54.2%
Age: Average in Years (Standard Deviation)	42.17 (16.19)
Education: University Degree	15.1%
Employment: Employed or Self-Employed	59.2%
Income: Proportion Claiming Above- Average Income	10.5%

The final sample is somewhat reflective of the actual structure of population in Slovenia. The sample was within 2.7% of the proportion of women identified in the 2002 population census, somewhat older (average population age is 35.85 years), and somewhat more educated than the general Slovenian population (SURS, 2002).

Construct measures for this research were derived from existing literature (Granzin and Olsen, 1998; Keillor, Hult, Erffmeyer and Babakus, 1996; Parameswaran and Pisharodi, 1994; and Yoon, Cannon and Yaprak, 1996). All measures used in this research have been proven psychometrically sound in cross-cultural contexts. The full 17-item and the reduced 10-item CETSCALE have been previously used and validated in various cross-cultural contexts, including Central and Eastern Europe (e.g. Lindquist, Vida, Plank and Fairhurst, 2001; and Good and Huddleston, 1995). For this study, the five-item version of the original scale was utilized to measure ethnocentrism. Five-point, Likert-type scales (1 = strongly disagree to 5 = strongly agree) were utilized for the individual scales to measure the five constructs.

In the process of developing the survey instrument and modifying for a cross-cultural adaptation of scale items, researchers followed the guidelines for conducting international consumer research specified by Craig and Douglas (1999). The initial study instrument was double-blind translated into Slovenian and back into the original English. Later, it was carefully adapted so as to incorporate

idiosyncratic aspects of the Slovenian culture. As a final developmental step, the questionnaire was pretested on a convenience sample of consumers for comprehensibility, clarity of instructions, and length, after which further modifications were incorporated. In order to help validate the sample, the survey instrument also contained a number of open-ended questions related to demographic variables (i.e., age, education and employment status). Respondents were also asked to classify their household's monthly income as compared to the general population in the country into one of three groups (i.e., average and above or below the average).

The survey contained measures for five constructs: (1) Cultural Openness (psychographic), (2) Patriotism (psychographic), (3) Perception of Quality Differences for Local versus EU products, (4) Domestic Purchase Behavior, and (5) Ethnocentricity. Due to inherent problems in administering U.S.-developed scales to foreign respondents, measure purification was performed on each scale using factor analysis and reliability measures. Reliability analysis, using Cronbach's alpha and item-to-total correlations, showed that the original scale reliability could be improved on several dimensions by eliminating certain items. Such items were tentatively dropped, pending further analysis. An exploratory factor analysis produced high loadings (>.5) for several items on more than one factor. Items dropped from further analysis were consistent with those items identified for removal by the reliability analysis. A measurement model using covariance analysis (LISREL 8), was then run on the

remaining items. Modification indices and standardized residuals were used to purify the scale and achieve unidimensionality of constructs as recommended by Gerbing and Anderson (1988).

Consistent with Joreskog's (1971) recommendation, reliability was calculated using rho (ρ). The validity and unidimensionality (Gerbing and Anderson 1988) of the scale was tested with confirmatory factor analysis using LISREL 8 (Joreskog and Sorbom 1993). Convergent validity was tested by examining the t-values of the Lambda-X matrix (Bagozzi 1981). Discriminant validity was tested by setting the individual paths of the Phi matrix to 1 and testing the resultant model against the original (Gerbing and Anderson 1988), using the D statistic (Joreskog and Sorbom, 1993).

RESULTS

Scale reliabilities (rho) range from 0.87 to 0.95 for the scales. Because of its relative insensitivity to the number of indicators, Joreskog's measure of reliability (1971) was used for final reliability measurement. Convergent validity was

tested through examination of the t-values of the Lambda-X matrix. Ranging from 11.83 to 22.33, all values were well above the 2.00 level specified by Kumar, et al. (1992), indicating high convergent validity of the scales. Tests for discriminant validity indicated that the confirmatory factor model for the scales fit significantly better than the constrained models for each construct, as inferred by the high D squared statistics.

As would be expected with a relatively large sample, the Chi-Squared statistic was significant. However, the rest of the model fit measures show a reasonably good conformance of the data to the model. The RMSEA (0.059) was well below the 0.08 cutoff values suggested by Browne and Cudeck (1993). In addition, the GFI and AGFI, (.93 and .90, respectively) were both equal to or above the commonly recommended 0.90 limit (Lichtenstein et al. 1992). And finally, the NNI, CFI, IFI and RFI (0.95, 0.97, 0.97 and 0.94, respectively) also provide evidence of a good fit. The t-statistics from the structural model were used to examine the hypotheses. The results are summarized Table 2.

Table 2. Hypotheses Testing and Results

H1	Ethnocentricity	Domestic Purchase Behavior	0.57 (9.07)	Supported
H2	Cultural Openness	Ethnocentricity	-0.18 (3.81)	Supported
H3	Patriotism	Ethnocentricity	0.62 (11.39)	Supported
H4	Patriotism	Domestic Purchase Behavior	0.18 (3.14)	Supported
H5	Relative Quality Perceptions	Domestic Purchase Behavior	0.07 (2.05)	Supported

DISCUSSION AND IMPLICATIONS

In general, the model finds support. As shown by Sharma, Shimp and Shin (1995), Cultural Openness and Patriotism are direct antecedents to consumer ethnocentricity. We found that relative product quality (foreign versus domestic), patriotism and ethnocentricity affect domestic purchase behavior. Perhaps the most interesting, but not hypothesized, finding is the relative size of these effects. As most economists assume, a rational consumer should probably rely on product quality as a major determinant of product choice. However,

here we find that ethnocentric followed closely by patriotic attitudes tend to much stronger determinants of purchase intentions.

Further refinement and development of this model is necessary before practical application. The authors suggest a comparative study between the major areas and cultures that currently have transitional economies to ensure the model's external validity. In addition, such a study would provide a reference for the development of consumers' attitudes in transitional economies.

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EUROPE WATCHES THE MARKETING MIRACLE – WAL-MART

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ABSTRACT

If you're an American, you've certainly heard of Wal-Mart. Well, very rapidly Europeans, too, are learning of Wal-Mart. It's an exciting saga to follow. In the next few short pages, we provide a brief synopsis of Wal-Mart's impact in lands across the Atlantic.

INTRODUCTION

Sure, we could regularly check *The Wall Street Journal*, *The New York Times*, *Business Week*, and *Forbes* in a process of developing a paper detailing what is happening with Wal-Mart. Periodically consulting the websites of Wal-Mart would help, not to mention the websites maintained by organizations that are not fans of the large chain. But why plough through the already-known material. Instead, we have chosen to sample – here and there – what the **European press** has to report about Wal-Mart. Is this a complete report? Absolutely not. A full-length book could not paint the full picture. We shall be looking in just a few spots with the hope that we shall discover a thing or two that the standard American press has missed.

SETTING THE SCENE

On Wednesday, February 19, 2003, how many American firms made the headlines in the newspaper *Aftonbladet* in Stockholm, Sweden? The answer is just two:

Varuhuskedjor som Wal-Mart Stores och Macy's på den amerikanska östkusten öppnade på tisdagen åter dörrarna efter det vinteroväder som tvingade många butiker hålla stängt i måndags.... (Vinteroväder 2003)
– The retail stores of Wal-Mart and Macy's on the American East Coast opened their doors again on Tuesday after the winter weather forced many stores to stay closed on Monday....

The Wal-Mart founder and his family seem to make the news in Europe quite regularly. Way back in 2001, Wolfgang Gehrmann, writing in Germany's *Die Zeit*, showed the financial power of that family. Was

Gehrmann overstating the case?

Von den zehn reichsten Menschen der Erde, die das amerikanische Wirtschaftsmagazin Forbes in diesem Jahr ermittelte, heißen fünf Walton: die Erben des amerikanischen Einzelhandelsweltmeisters Sam Walton (Gehrmann 2003) – Of the ten richest people on earth, it has been established this year by the economy magazine *Forbes* that five of them are named Walton: the heirs of the American world-champion retailer Sam Walton.

At that same time, Munich's *Süddeutsche Zeitung* singled out Number **One**: "*Robson Walton, Chef der Supermarktkette Wal-Mart hat den Software-Milliardär Gates als reichsten Mann der Welt verdrängt*" (Bill 2001), meaning: "Robson Walton, head of the supermarket chain Wal-Mart, has ousted the software billionaire [Bill] Gates as the richest man on earth." At that very same moment, Russia's *Правда* was reporting it this way:

По последним данным, самым богатым человеком на нашей планете является Робсон Уолтон – старший сын Сэма Уолтона (По 2001) – According to the most recent data, the richest person on our planet appears to be Robson Walton – eldest son of Sam Walton."

It's interesting how European journalists can weave Wal-Mart into almost any story. Gabriele Thiels (2002) tells us in Germany's *Die Welt* in late 2002: "*Hat Wal-Mart ein höheres Bruttosozialprodukt als Finnland oder Saudi-Arabien*," meaning: "Wal-Mart has a higher gross domestic product than Finland or Saudi Arabia."

At about that same time, Amsterdam's *de Volkskrant* informed us: "*Concern Wal-Mart is één grote familie*" (Concern 2002), meaning, of course: "The Wal-Mart organization is a big family." And many years earlier, *Berliner Zeitung* was kind enough to translate the Wal-Mart slogan for its readers: "*tägliche Niedrigpreise*" (Brennberger & Catuogno 2000) – "Every Day Low Prices!" Henry Lauret, writing in France's *Le Figaro Magazine* (of November 16, 2002), produced a feature on how the German *Deutsche Bank* – "*Goliath de la finance*" – had been moving into France over the past five years. The CEO of the French branch of *Deutsche Bank* is quoted as saying what may well express how Wal-Mart enters a foreign land:

«La Deutsche Bank est une grande banque européenne, et nous comportons, en France, comme une banque française!» (Lauret 2002) – "*Deutsche Bank is a great European bank, and we conduct ourselves in France like a **French bank!***" [Bold emphasis added by the current author.]

Is such adapting to the local environment indeed being done by Wal-Mart? We may find out within a few paragraphs.

ENDING UP IN COURT

If Wal-Mart moved into Great Britain, Bob Ortega (1999) told us long ago in *Guardian Unlimited* that Wal-Mart, if taking over Asda, would in its retail stores, be "temporarily selling at or below [wholesale] cost to beat rivals." Apparently such a practice would be okay in Great Britain as it apparently is okay in the United States. During a two-year period in Germany, the Government wasn't quite sure whether such a practice was "okay" or not. A quick history of the German case was provided on November 13, 2002 by *Frankfurter Rundschau*:

Der Bundesgerichtshof hat Dumpingpreisen im Lebensmittelhandel enge Grenzen gezogen. Er bestätigte gestern in einem Urteil die Rechtsauffassung des Bundeskartellamts, das Wal-Mart, Aldi und Lidl im Sommer 2000 verboten hatte, Waren unter Einstandspreis zu verkaufen. Wal-Mart hatte gegen diese Entscheidung vor dem Oberlandesgericht Düsseldorf (OLG) geklagt und in einigen Punkten Recht bekommen (Bundesgerichtshof 2002) – The Federal High Court has seriously limited [the use of] dumping prices in retailing. It declared yesterday in a judgment that the Federal Cartel Office made a proper

interpretation that Wal-Mart, Aldi and Lidl in the summer of 2000 should be forbidden to sell merchandise under their wholesale price. Wal-Mart had appealed the [Cartel Office] decision before the regional [lower] court in Düsseldorf and received a favorable judgment.

Clearly, that "favorable judgment" was overturned. Considering the High Court ruling, *Frankfurter Allgemeine Zeitung* interpreted it this way: "*Ein solches Verbot solle die kleineren Firmen vor einer solchen Preisgestaltung schützen....*" (Gericht 2002), meaning: "Such a prohibition should protect the smaller firms from such a pricing approach..." *Augsburger Allgemeine* stated it a little differently: "*Wegen der überlegenen Marktmacht von Wal-Mart in Deutschland behindere eine solche Praxis kleine und mittlere Wettbewerber*" (Bundesgerichtshof untersagt 2002), meaning: "Considering the market power of Wal-Mart in Germany, such practices [now outlawed] handicap small and middle competitors." Here we see the German press discussing a phenomenon that had been discovered elsewhere on the planet long, long ago. At the time of the final ruling, the website *FindLaw* indicated that when the Federal Cartel Office ruled against the pricing by Aldi, Lidl and Wal-Mart, "the German-based Aldi and Lidl...subsequently raised their prices" (German 2002). However, **Wal-Mart appealed.**

THE MOSCOW MYSTERY

There is some evidence that in Europe there is a certain *magic* about the name *Wal-Mart*. Although 2003 has taught us that American views are not swallowed whole by Europeans, there seems to be a fascination with *Wal-Mart*. This came to the surface with the possibility of Wal-Mart coming to Moscow! Let's investigate this possibility. As we search, we are not interested in how *The Wall Street Journal* might have covered the story. Also, we are not interested in what Bentonville headquarters might have reported. Our emphasis is on how **Europe** treated the scoop. Warning: there are numerous pieces here. But such a scenario is normal when large corporations engage in assembling a jigsaw puzzle and then begin tearing it apart!

First of all, why should Western retailers be interested in Russia? Megan Merrill, writing in *The Moscow Times* for November 21, 2002, answered that question:

With fewer bills to pay, members of the middle class [in Russia] have plenty to spend on clothes, appliances and audio-video equipment among other things.... Utility and housing costs are lower compared to Western countries, allowing members of Moscow's middle class to spend a larger percentage of their income on consumer goods, Greg Thain, chairman of the Interactive Research Group, said in a recent interview (Merrill 2002).

The door has been opened, and retailers want in! Accordingly, in the *Коммерсантъ* issue for November 20, 2002, Сергей ъ-Канунников (Sergei Kanounnikov) wrote the obvious observation: "Представители Wal-Mart активно интересуются Россией уже несколько лет" (ъ-Канунников 2002), meaning: "Representatives of Wal-Mart have already for several years had an active interest in Russia." But that *interest* was not exclusive to Wal-Mart!

As far back as May of 2001, *Ukraine Today* explained a marketing ploy:

Advertising budgets of the biggest European supermarket chains will be directed to [the] Russian advertising market in summer 2001. Since May, Metro AG (Germany) has started a six months long advertising campaign in Moscow. Metro AG placed 150 billboards throughout [the] Russian capital.... The first two stores will be opened in Moscow in November 2001 (Business 2001).

On the eve of that opening, *Metro Polska*, the Metro AG website for Poland, was able to announce this official blessing: "The opening ceremony will take place with Moscow's Lord Mayor Yuri Mikhailovich Luzhkov present" (Metro 2001). To be totally accurate, we must indicate that the stores to be opened are a subsidiary of Metro AG, using the designation "Metro Cash & Carry GmbH."

It was just about at this point that observers who considered themselves as insightful began to see Metro as a mere **puppet** in the hands of a master **puppeteer** – Wal-Mart! Writing for *The Russia Journal* on May 13, 2002, Kenneth Christopher declared that Wal-Mart was on the way according to Moscow media "citing unidentified sources close to the negotiations" (Christopher 2002). But Wal-Mart would not be enjoying an exclusive triumphal entry into the city. In late August of that same year, Thierry Lucas wrote this for the French industrial magazine *L'Usine Nouvelle*, lifting us up to the **hypermart** level:

Le premier hypermarché russe va ouvrir ses portes cette semaine. C'est Auchan, déjà présent en Pologne et en Hongrie, qui va inaugurer ce magasin de 16.000 m2, à Moscou. D'autres groupes comme Casino, Carrefour ou Wal-Mart, s'intéressent au marché russe, indique la Financial Times (Lucas 2002) – The first Russian hypermarket is going to open its doors this week. It is Auchan, already present in Poland and Hungary, which is going to inaugurate this 16,000 square meters store in Moscow. *The Financial Times* has indicated that among other groups interested in the Russian market are such as Casino, Carrefour or Wal-Mart.

So far, as autumn 2002 comes in, we have established Metro and Auchan in Moscow. At this point, Germany's *Die Welt* (on November 15) indicated that Metro's stock price was dropping:

Zum Mittag verlor der Titel rund 3,9 Prozent auf 24,59 Euro. Schuld waren die neuesten Zahlen zu den Einzelhandelsumsätzen in Deutschland (Verlierer 2002) – By noon their stock had lost around 3.9 percent to 24.59 euros. Responsible [for the drop] were the latest figures on [the firm's] retail revenues in Germany.

What could best help Metro's stock right now? *Die Welt* had an answer – a somewhat bittersweet prediction: "*Allein die Spekulation einer Übernahme durch den US-Konkurrenten Wal-Mart könnte den Metro-Kurs beflügeln*" (*Ibid.*), meaning: "The only thing that could stimulate the Metro stock price is speculation over its being taken over by the U.S. competitor Wal-Mart."

And that speculation led a headline writer for *Коммерсантъ*, obviously familiar with the Paris subway that Parisians call their *metro*, to create this pun for the issue of November 20, 2002: "Wal-Mart въезжает в Россию на Metro," (ъКанунников 2002), meaning roughly: "Wal-Mart comes riding into Russia on the Metro!"

How do we pull this all together? Perhaps the most concise yet comprehensive account of what was going to be happening up through the year 2006 was provided by *Лента.Ru* on November 20, 2002:

Wal-Mart откроет в Москве 20 гипермаркетов. Крупнейшая розничная сеть в мире Wal-Mart купит у немецкой

компании Real Holding 20 гипермаркетов, которые последняя собирается построить в 2003-2006 годах, сообщает *Коммерсантъ*. Real Holding входит в группу предприятий Metro, уже открывшей в столице РФ ряд мелкооптовых магазинов (Wal-Mart 2002) – Wal-Mart will open in Moscow 20 hypermarkets. The largest retail chain in the world Wal-Mart is going to buy from the German company Real Holding 20 hypermarkets with the final intention to have this done from 2003 to 2006, *Коммерсантъ* reported. Real Holding is in the group Metro, still open in the Russian capital with a line of small wholesale stores.

There was this postscript: “Не будет развиваться здесь бизнес своего оптового подразделения Sam’s Club” (*Ibid.*), meaning: “There will not be developed here [in Moscow] the wholesale sub-unit Sam’s Club.”

Is that the full and final story of Wal-Mart in Moscow? No! Just call it a preliminary introduction to a continuing saga with numerous chapters still to be written.

A CUTE SPECIFIC

There seems to be ample evidence that Wal-Mart responds to the desires of its loyal customers. A small example of this was offered during the holiday season of 2002. To some observers, what you are about to read is a tiny matter. But it received *international* coverage! How far away from Bentonville headquarters did the story spread? We have two answers to that question: Oslo, Norway and Moscow, Russia.

Aftenposten of Oslo carried this headline: “Gravid Barbie-benninne skaper storm”(Gravid 2002), meaning: “Pregnant Barbie friend creates a storm.” *Лента.Ru* of Moscow did the headline like this: “Американские покупатели потребовали изъять из

магазинов беременную подружку Барби” (Американские 2002), meaning: “American customers demand the removal from the store of the pregnant little friend of Barbie.”

The pregnant friend, Мидж (Midge) was removed from all Wal-Mart shelves! To find an explanation for the removal, the press turned to Wal-Mart spokesperson Синтия Иллик (Cynthia Illick). Here’s how Cynthia was treated by *Aftenposten*:

“Kundene våre var bekymret over å ha en gravid dukke,” sier Wal-Mart’s talskvinne Cynthia Illick til nyhetsbyrået Associated Press (Gravid 2002) – “Customers were very concerned over our having a pregnant doll,” said Wal-Mart’s spokesperson Cynthia Illick to the news agency Associated Press.

Then, here’s the part of Cynthia’s statement that was published in *Лента.Ru*:

“Озабоченность покупателей наличием в продаже беременной куклы была оправдана” (Американские 2002) – “The anxiety of customers that was present regarding the sale of a pregnant doll was justified.”

Even in this seemingly small matter, Wal-Mart had responded to the complaints of their loyal customers.

CONCLUSION

Which spot on earth will be the next market into which Wal-Mart will venture? Could it be Turkey, for example? If there is a chaplain at Bentonville, he or she might direct corporate leaders to Matthew 7:7 in a Turkish Bible. This passage provides instruction on what to do when standing at the door to a promising market: “Капиу çalm, size açılacaktır”(Kitabı 1981, p. 7) – “Knock, and it shall be opened unto you.” That usually has worked for Wal-Mart!

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DOES INFORMATION FROM HIGH-TECH ALWAYS DRIVE ONLINE CONSUMERS' SATISFACTION?

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ABSTRACT

As a major marketing communication tool, the Internet has significantly impacted our CRM strategies and tactics. This study tests the effect of involvement with information from the Internet and the relationship with consumer values and gender on customer satisfaction.

INTRODUCTION

Since the Internet became one of the major marketing communication tools with a new convenience in advanced technology in the early 1990s, the number of e-businesses and Internet users has been growing rapidly. Moreover, as information from the Internet influences consumers' behavioral outcomes in many ways, studying online consumers' behavioral reaction gradually becomes necessary. Because the purpose of using the Internet varies from getting merely information to browsing for just fun, consumers' satisfaction with their utilitarian/hedonic value has also been crucially studied. The purpose of this paper is to examine the effect of involvement with information from the Internet as a major high-tech tool on online consumers' satisfaction, to trace the influence of consumer value and gender as moderators on the effect, and to present conceptual marketing implications by applying these relationships to a real web-based environment.

BACKGROUND LITERATURE

Involvement and information from the Internet

The concept of involvement has been applied to consumer behavior since Krugman first adapted the concept to consumer behavior. However, the definition and the method of measurement used by scholars vary. Involvement can be divided into high and low (Petty et al., 1983) as a level, or cognitive and affective (Park and Young, 1986) as a type, or enduring, situational, and response (Houston and Rothschild, 1978), or situational and enduring (Bloch, 1982) as duration.

As a two-way interactive communication tool, the Internet allows consumers to get information

through an active and fast response. In addition, because of its convenience and interactivity, consumers have closely related to information from the Internet. Using the Internet is based on the perspective of uses and gratification theory. The theory premises that consumers select and use media actively to achieve gratification. Eighmey and McCord (1998) argue that the theory can explain the benefit from using websites clearly. Many researchers indicate that entertaining factor and informative usefulness are two major values of web, and those values motivate Internet users (Eighmey and McCord 1998; GVUC 1999). However, using the Internet sometimes shows a problem of Internet dependency, decreasing face-to-face communication, Internet abuse, and sexual activity.

Gender differences and the Internet

Advanced technology may be easily adopted by young, male, urban, educated groups, and as a major technical force, the Internet is redefining human identity (Turkle, 1995). Men and women show a difference in using the Internet because of stereotypes in which computer-based technology is more closely associated with men than women (Fletcher-Flinn and Suddendorf, 1996), patterns of their access to and use of computers (Kirkpatric and Cuban, 1998), attitudes toward and comfort with computer-based technology (McIlroy et al., 2001), and factors that make computers less appropriate to women (Sherman, 1998).

Men are more likely to learn computers with interest (Qureshi and Hoppel, 1995), report more interest and confidence in computers (Krendl et al., 1989), enjoy searching for information of personal interest outside their work (Ford and Miller, 1996), show more experience in using the Internet

(Schumacher and Morahan-Martin, 2001), show the Internet self-efficacy (Wolfradt and Doll, 2001), spend more time in using computers (Young, 2000), and feel more comfortable and competent using the Internet (Sherman et al., 1998). Women are more likely to think of computers as fun (Kaplan, 1994) and spend less total time in using the Internet and show greater difficulty in finding information on the Internet (GVUC, 1999). However, as the results of the current research above indicate, studies on gender and the Internet as advanced technology have sometimes shown mixed findings.

Consumer value

Consumers buy value for their satisfaction. Traditionally, price and quality have been considered as the two basic components of value (Dodds et al., 1991). Zeithaml (1988) sees the common use of value as four major perspectives: 1) as merely a price, 2) an exchanging process, 3) an intervening variable, and 4) a subjective factor. The major approach to understanding value can be divided into a macro and micro approach. A macro approach tries to measure the value of market/society quantitatively, so consumers can be sorted into groups of shared similar value. The micro approach tries to figure out the relationships between perceived value consumers pursue and various factors related to the value.

Many former researchers see consumers as rational problem-solvers pursuing utilitarian value, therefore they support the viewpoint in which browsing information and/or buying behavior are regarded as utilitarian actions (Bloch and Bruce, 1984). According to this perspective, utilitarian consumers are active, task-related, and rational (Batra and Ahtola, 1991). On the other hand, Babin, Darden, and Griffin (1994) suggest that evaluating consumers' shopping experiences just by achieving products and/or service may overlook the intangible part of shopping and its emotional costs and benefits. Therefore, shopping value contains more than utilitarian usefulness (Bloch et al., 1986). With the same perspective, Babin, Darden, and Griffin (1994) suggest that shopping value can be achieved by pursuing emotions such as pleasure and interest and by accomplishing some planned purpose. They, therefore, divide shopping value into hedonic value and utilitarian value.

Consumers' satisfaction

Satisfaction can be explained as an emotion resulting from appraisals about experience (Woodruff et al., 1991). Under this view, the effort to make

new customers requires five times more money than the effort of maintaining current customers, and 91% of dissatisfied customers will not buy the company's products, and they even complain to at least nine persons about the company's products (Vavra, 1995). Mehrabian and Russell (1974) see satisfaction as the closest concept of pleasure, and the perspective indicates satisfaction may be closely related to hedonic value. Usually, satisfactory experience makes positive word-of-mouth and increases customers' loyalty on the product. According to Reichheld and Scheffer (2000), increasing 5% of customers' satisfaction causes an increase in the company's profit from 25% up to 85%.

RESEARCH QUESTIONS AND HYPOTHESES

Based on the theoretical discussion above, the following sets of research questions were developed.

- 1) Does involvement with information from the Internet have an affect on online consumers' satisfaction?
- 2) What factors moderate the effectiveness of involvement with information from the Internet on online consumers' satisfaction?

To test the research questions, the following hypotheses were tested:

H1: High involvement with information from the Internet will show greater online consumers' satisfaction than low involvement with information from the Internet.

H2: Gender will moderate the effect of involvement with information from the Internet; therefore, greater satisfaction will be presented in the high involvement with information from the Internet-males condition than any other involvement with information from the Internet-gender conditions.

H3: Consumer value will moderate the effect of involvement with information from the Internet; therefore, greater satisfaction will be presented in the high involvement with information from the Internet-hedonic value condition than any other involvement with information from the Internet-consumer value conditions.

H4: Gender and consumer value will moderate the effect of involvement with information

from the Internet; therefore, greater satisfaction will be presented in the high involvement with information from the Internet-male-hedonic condition than any other involvement with information from the Internet-gender-consumer value conditions.

METHODS

Subjects with a convenience sampling consisted of 250 university students frequently using computers. As gender-neutral products, therefore, laptop computers were selected, and two actual websites of them (IBM:www.ibm.com and Dell:www.dell.com) were operationally used in order to examine online consumers' satisfaction. They were asked to spend \$1,300 up to \$1,500 on a laptop computer. Therefore, both groups were instructed to browse two models from the given websites (www.ibm.com and www.dell.com) respectively and shopped for a laptop computer for about 30 minutes. This study was conducted over an eight-week period. For this study's validity and reliability, discriminant validity among major factors was considered for its validity, and internal consistency analysis among items of each variable was considered for its reliability.

To measure the levels of involvement with information from the Internet, Zaichkowsky's Personal Involvement Inventory (PII, 1985) was used. This study used the items of PII by all means to reverse the order of half these items to avoid a response-set bias. By using the PII's 20 items with seven semantic scales, the responses were split into 'high involvement' (111 to 140 total points, upper 25%) and 'low involvement' (20 to 69 total points, low 25%). Therefore, the 'theoretical medium' (70 to 110 total points) of the PII was not used. This study developed fourteen questions to categorize online consumers' value type. By conducting a factor analysis, these questions were split into those for measuring utilitarian and those for measuring hedonic value. The Eigenvalue of utilitarian value was 8.254, and that of hedonic value was 1.899. It implies that there was discriminant validity between utilitarian value and hedonic value, and convergent validity among items for measuring utilitarian value and among items for measuring hedonic value. This study, therefore, set utilitarian and hedonic value with each seven questions with seven semantic scales. Using these scales, the responses of the upper 40% (32-49 total scores) on any one value was considered as the desired value type. However, the responses in both upper 40% were not considered to avoid its ambiguity. The internal consistency analysis for its reliability indicated that the internal

consistency of utilitarian was high (Cronbach's $\alpha=0.9547$), and so was hedonic value (Cronbach's $\alpha=0.9067$). To test online consumers' satisfaction with the information from the Internet, this research developed seven questions with seven semantic scales. The internal consistency of satisfaction was high (Cronbach's $\alpha=0.8620$).

A survey questionnaire was designed to collect data on: 1) the consumers' interest in using the Internet (only the positive answers about using the Internet were used); 2) the consumers' level of involvement, in general, with laptop computers (using Zaichkowsky's PII, 1985); 3) the consumers' type of value; 4) the consumers' satisfaction about the information from the Internet by asking their actual shopping activities.

ANALYSIS AND FINDINGS

Of the 250 samples that were contacted, 204 were usable.

H1: A one-way ANOVA indicated that the effect of involvement on satisfaction was significantly different. In the test, the results of multiple comparisons using Tukey's HSD test showed that the mean difference between high and low involvement on satisfaction was significant ($MD=11.1179$, $p<0.05$). An independent sample t-test also showed a significant difference in satisfaction between high and low involvement ($t(106)=18.988$, $p<0.05$). The results also indicated that the mean of satisfaction with high involvement was significantly higher ($m=44.6034$, $sd=2.8156$) than that with low involvement ($m=33.4600$, $sd=3.2839$).

H2: A GLM-univariate ANOVA indicated that the main effect of involvement on satisfaction was significant ($F(2,198)=185.627$, $p<0.05$), and the effect of involvement was large (Eta Square=0.652). The main effect of gender on satisfaction was significant ($F(1,198)=8.908$, $p<0.05$). However, the interaction between involvement and gender was not significant ($F(2,198)=0.761$, $p>0.05$). In comparing means, the high involvement-male condition showed the highest satisfaction ($m=45.3077$, $sd=2.4404$) than any other involvement-gender condition.

H3: A GLM-univariate ANOVA showed that the main effect of involvement on satisfaction was significant ($F(2,195)=139.216$, $p<0.05$). However, the main effect of value on satisfaction was not significant ($F(2,195)=2.623$, $p>0.05$), and the interaction between involvement and value was also

not significant ($F(4,195)=1.074$, $p>0.05$). In comparing means, the high involvement-hedonic condition showed the highest satisfaction ($m=44.9143$, $sd=2.9938$) than any other involvement-value condition.

H4: A GLM-univariate ANOVA implied that the main effect of involvement on satisfaction was significant ($F(2,186)=137.319$, $p<0.05$). However, the main effect of gender and that of value was not significant. In the results of interaction, only the interaction between gender and value was significant ($F(2,186)=13.743$, $p<0.05$). The other interactions were not significant. In comparing means, the high involvement-male-hedonic condition showed the highest satisfaction ($m=46.1852$, $sd=1.6181$) than any other involvement-gender-value condition.

CONCLUSIONS AND IMPLICATIONS

By using actual websites, this study tested the influence of involvement with information from the Internet on online consumers' satisfaction. The effect of gender and consumer value on this effect was also tested. As results, H1 was accepted, and H2, H3, H4 were rejected. The findings indicated that high involvement with information from the Internet showed greater online consumers' satisfaction (H1). The effect of gender and consumer value as moderators on online consumers' satisfaction was not significant (H2, H3, and H4).

However, mean comparisons on H2, H3, and H4 positively supported the related hypothesis respectively. The mean comparisons showed the greatest satisfaction in high involvement-men condition (H2), high involvement-hedonic value condition (H3), and high involvement-male-hedonic condition (H4). In detail, both men and women showed greater satisfaction within the high involvement condition. In addition, consumers with hedonic value showed greater satisfaction in both the high and low involvement condition, while consumers with utilitarian value showed least satisfaction in low involvement condition. Also, men showed the greatest satisfaction in high

involvement-hedonic value condition, otherwise, women showed the greatest satisfaction in high involvement-utilitarian value condition. By the way, in matching condition between gender and value type, men showed greater satisfaction within hedonic value condition, while women showed great satisfaction within utilitarian value condition.

Consistent with this perspective, despite the statistical results, high involvement and hedonic value may play an important role in online consumers' satisfaction. Therefore, to achieve online marketing communication objectives, marketers and communication planners may develop advanced strategies and tactics for online consumers. For example, they may develop motivation to access to websites, quality of messages, and benefit of interactivity for highly involved online consumers on web-based products.

Consumers are not always satisfied with what they are supposed to be satisfied with. Consumers do not buy products' attributes, but buy their perceived value for their satisfaction. A hedonic and experiential theory of consumption that sees products as not merely a collection of physical attributes, but as subjective symbols expressing love, pride, happiness, etc., supports the perspective. In addition, consumers' perceived value is the basic result of marketing activity (Babin et al., 1994), and the suggestion of perceived value may motivate consumers to begin and/or maintain a consumer-marketing relationship. Simply, what consumers need from the advanced technology is perceived value for their own satisfaction. Therefore, even though technological change has accelerated human life, consumers do not need mere high technology unless it provides certain value for their own satisfaction. On this point, therefore, marketers and communication planners may also develop, provide, and maintain online consumers' perceived value.

This study has a couple of limitations. First, this study limited high technology to the Internet. Second, it limited gender-neutral products to laptop computers.

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A NOTE ON POST HOC PROBING FOR LATENT VARIABLE INTERACTIONS AND QUADRATICS IN SURVEY DATA

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ABSTRACT

Testing linear models such as $Y = b_0 + b_1X + b_2Z + e$ for significant structural coefficients (e.g., b_1 and b_2) in survey data, when one or more of the variables (e.g., X , Z , or Y) is measured with error, has received considerable attention since the 19th century. The resulting approaches include structural equation analysis approaches that use EQS, LISREL, etc. These approaches were extended to multiplicative interactions and quadratics (e.g., XZ and XX respectively in $Y = b_0 + b_1X + b_2Z + b_3XZ + b_4XX + e$) (1 for structural equation analysis (SEA)). However, SEA approaches have proven difficult for substantive researchers to use. Perhaps as a result, published model tests involving latent variables and survey data often ignore interactions and quadratics.

However, not considering the possibility of population interactions or quadratics in a survey model risks misleading research findings and recommendations, as it does in experiments analyzed with ANOVA. In a model containing a significant interaction such as in Equation 1, the coefficient of Z is

$Y = b_0 + b_1X + (b_2 + b_3X)Z + b_4XX + e$, (1a rather than by b_2 alone. Because the Equation 1a coefficient of Z depends on values of X in the survey, the magnitude, sign, and statistical significance of $b_2 + b_3X$ could be very different from the coefficient of Z in an Equation 1 that ignores XZ (i.e., $Y = b_0' + b_1'X + b_2'Z + e'$). Specifically, b_2' could be *non* significant, while $b_2 + b_3X$ could be *significant* over part of the range of X in the survey. Thus, although a non significant b_2' implies an hypothesized Z - Y association is disconfirmed, with a significant XZ interaction it is not the case that Z was never associated with Y in the study. The association simply depends on the various levels of X in the survey. This has important substantive ramifications, including that b_2' could be observed to be non significant in one study and significant in the next, depending on the mean of X in the study (the unstandardized value and significance of b_2' will be approximately those of $b_2 + b_3X_{avg}$, where X_{avg} is the mean of X in the study).

Alternatively, b_2' could be *significant*, while $b_2 + b_3X$ could be *non* significant over part of the range of X in the survey. Thus, not only could b_2' be significant in some studies and non significant in others, but any "management recommendations" regarding the implications of an apparently significant Z - Y association due to a significant b_2' could be misleading because Z was not always associated with Y in the study.

The algebra and implications of not considering the possibility of population quadratics in model tests involving survey data are similar. However, survey researchers are discouraged from post hoc probing for interactions or quadratics (i.e., after the proposed model has been estimated) in survey data, as experimental researchers do with ANOVA, because this is somehow "unscientific." In addition, because structural equation analysis techniques for detecting interactions and quadratics are tedious to use, any post hoc probing for latent variable interactions or quadratics frequently relies on techniques such as OLS regression or median splits of the data, that are well known to be unreliable for this purpose.

This paper addresses these matters, and it proposes an accessible approach for post hoc probing of latent variable interactions and quadratics in model tests involving survey data. Because of the potential for detecting spurious interactions or quadratics (i.e., interactions or quadratics that do not exist in the population) when there are a large number of candidate interactions/quadratics, an overall F test should be conducted on the candidate interactions and quadratics. To accomplish this, after the hypothesized structural model has been estimated, all interactions and quadratics among the predictors should be added to the hypothesized model. To decrease the resulting amount of specification work, reliability loadings and measurement errors for these interactions and quadratics could be used.

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CONSUMER TRUST: A CONTRADICTION IN TRADE

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ABSTRACT

This research examines trust and posits that consumers perceive the trustworthiness of companies within a particular country differently. Using the model of trust developed by Mayer, Davis & Schoorman (1995), we find that Taiwanese consumers have different levels of trust for companies from European, North American and Asian countries.

INTRODUCTION

In the global marketplace, the competitive position of countries is determined by many factors. One increasing factor seems to be the level of trust accorded to the country, its corporations, its products, and its services. Today's political strife with Iraq and North Korea are examples of lack of trust in specific country regimes. Corporate scandals also contribute to reduced trust. Wilhelm (2002) concluded that corruption has a negative effect on trust. He also felt that companies need a way of predicting the extent of corruption that might be expected before they attempt trade or investment in other countries. Davis and Ruhe (2003) suggest that corruption can be predicted based on cultural characteristics of Hofstede and that perceived corruption can explain trade flow, foreign investment, and per capita income.

The underlying question in this paper is why does trust vary so substantially across countries? More specifically the purpose of this paper is three fold: 1) to test an accepted U.S. model of trust across cultures, 2) to determine if companies doing business within particular countries are perceived differently in this trust model, and 3) to determine if perceived trust is related to the level of trade within Taiwan's traditional trading partners. This paper explores the connection between perceptual trust of Taiwan's trading partners, various predictors of corruption such as Hofstede's cultural components, the perception of corruption by Transparency International (TI) 2003 and various trade activities.

THEORETICAL BACKGROUND

Trust, or the lack of trust, is an especially important concern for anyone involved in intercultural or international relationships. During

recent globalization efforts the notion of a firm gaining a competitive advantage has been eroded as a result of competitive strategies of imitation, counter-attacks, and weakening entry barriers. Increasing competition has also resulted in more global alliances such as joint ventures, international mergers, acquisitions, negotiation with strategic partners, and other transnational alliances. Relationships involving trust between organizations are innumerable, but may include trading partners, foreign subsidiaries, employer - employee relationships or any activity involving risk and familiarity.

Trust becomes a crucial consideration when dealing with possible international joint venture partners in different cultures. Davis and Ruhe (2003) found strong relationships between country corruption and three of Hofstede's cultural dimensions: power distance, collectivism, and masculinity. Hofstede (1991) deals with trust from different angles. He finds that equals are more likely to trust each other when power distances are small and uncertainty avoidance is low. Power distances addresses the degree to which a society's weaker members accept injustices in how power is exercised. Low needs to avoid uncertainty are associated with employee optimism about the motives behind company activities, and with greater readiness to compromise with opponents. Uncertainty avoidance refers to the extent to which people in a society feel threatened by ambiguous situations. Both small power distances and low uncertainty avoidance indicate greater readiness to trust. The Hofstede-Bond Chinese Value Survey associates trustworthiness with integration, which corresponds to individualism or the opposite of collectivism (Hofstede & Bond, 1988). This agrees with Davis and Ruhe's finding of greater corruption related to

collectivism. Masculinity was also found to be associated with corruption.

Trust in Asia

According to Lee (1996) sole ownership is also important in trust issues. The predominance of business among many off-shore Chinese is small businesses with management styles that are family-centered, human-centered, and have centralized power. In contrast to most Western counterparts, the human-centered management style puts people ahead of a business relationship and focuses on trustworthiness, friendship, and loyalty (Das and Bing-Sheng, 1998). Because the family is extremely important in Chinese culture, the firm is often considered the family. In many cultures such as in most Asian and Arabic countries one needs to build a relationship of trust before any task would be performed. That is why many organizations prefer to hire family members and relatives because they believe their character and trustworthiness are known.

Wu (2002) found that corporate business ethics among Taiwanese entrepreneurs was highly related to organizational performance. Rodriguez (2001) suggests that most Asian negotiators initiate military tactics developed in China thousands of years ago. One such strategy is 'The Trust Game' that is illustrated by a problem of a well-known American cable TV company experience in Taiwan. To guarantee its 10 percent share of the market, the American company tried to negotiate a contract provision that enabled it to audit the Taiwanese company's accounting books periodically. This request was perceived as a grave insult by the president of the Taiwanese company and the months of negotiation was lost. He felt that this implied 'we are liars, and if the Americans can't trust us, then we won't trust them!' Honest communications with trading partners is necessary to ensure that trade will continue (Gauthier, 1986).

Taiwan's Trade Relation with Other Countries

In 2001 Taiwan imported over \$107 billions (U.S) worth of goods with 61 percent coming from within the Asian region and \$122 billion or 54 percent going out to the region. Hong Kong, the former British territory, tries to avoid politics and still serves as a conduit for Taiwan's indirect trade with China (Chung, 2002). Japan is second only to the United States as a source of investment in Taiwan, accounting for approximately 20 percent of the total investment value over the past fifty years. In addition, Japan is Taiwan's second largest trading partner, while Taiwan is Japan's third largest trade

partner. Aside from economic issues, the two sides are linked historically as a result of Japan's early colonial development. As a result, many older Taiwanese speak Japanese and are familiar with Japanese culture, food, and goods. This relationship suggests a positive bias of trust of the Japanese (Chung, 2002).

The United States has long been Taiwan's largest trading partner and second largest source of investment next to Japan. A large portion of U.S. exports are high-tech or big-ticket items such as transportation, construction, communications and industrial equipment. Taiwan, meanwhile, is America's eighth largest trading partner and seventh largest export market (Her, 2002).

Despite the geographic distance, economic ties between Taiwan and Europe date back to 1642 when Holland established a settlement in southern Taiwan that remained for forty years. Today, Taiwan is Holland's largest export market in Asia, specializing in semiconductor equipment. Today, almost all the major Western European countries are operating trade offices in Taipei. Germany has been Taiwan's largest trade partner from Europe for more than twenty years with exported products such as machinery, electronics, luxury cars and other transportation equipment, construction materials, chemicals, and an expanding range of high-quality consumer goods to Taiwan. Taiwan's third largest trade partner from Europe is Britain with exports such as chemicals, machinery, whiskey, and many types of consumer goods (Kao, 2002).

HYPOTHESES

The model of trust developed by Mayer, et al. (1995) defined trust as a willingness of the trusting party to be vulnerable to the party to be trusted even when monitoring and control is impossible. The model suggests that consumers in buyer-seller relationships are willing to be vulnerable to and therefore, trust international companies to the extent that they perceive those companies have high integrity, benevolence and ability.

Organizations perceived to be high in integrity are thought to follow through on promises made and have values consistent with the individual or organization doing the trusting (Mayer, et al. 1995). A consumer will trust or be vulnerable to an international organization when he/she perceives that the organization will, for example, deliver on its promises. Given differences in international law, logistics and corruption between various countries, we propose that perceived integrity will differ

significantly from one country to another. This suggests the following hypothesis:

Hypothesis 1: There will be a significant difference in consumer perception of integrity by companies from different country origins.

Consumers who perceive organizations to be high in benevolence believe that they hold their best interests at heart and would never willingly do anything to hurt them. When consumers perceive that organizations have high benevolence they are more willing to trust them. As with integrity we believe that the country of origin will influence the trust consumers have for companies from that country. This suggests the following hypothesis:

Hypothesis 2: There will be a significant difference in consumer perception of benevolence by companies from different country origins.

The perception of a company's ability reflects its skills and capabilities to do what it says it will do. A company that is low in ability is not trusted because they cannot deliver even if they want to deliver. A consumer is not likely to allow himself/herself to be vulnerable if they perceive that an organization cannot deliver the product characteristics they promise. This suggests the following hypothesis:

Hypothesis 3: There will be a significant difference in consumer perception of ability by companies from different country origins.

The final hypothesis examines whether consumers perceive different levels of trust by organizations from different countries. The factor of interest for this hypothesis is trust, a willingness to be vulnerable. We argue that consumers would trust companies from some countries because it would expose them to unacceptable levels of vulnerability. The following hypothesis is proposed:

Hypothesis 4: There will be a significant difference in consumer perceptions of company trust by country of different origins.

METHODOLOGY

Data Collection Procedures

To avoid problems associated with mailing questionnaires in Taiwan, and to maximize the

response rate, a personal distribution was adopted. The city of Taipei, the largest in Taiwan, was selected for questionnaire distribution. Several personnel went to these subjects, distributed the questionnaire and collected them a week or two weeks later. Three hundred and fifty questionnaires were distributed during a two-week period. Two hundred and twenty-six questionnaires were returned and deemed usable. The response rate was 64.57%.

Questionnaire

The consumers were asked to complete a survey developed by Davis, et al. (2000). The survey has been shown to have adequate reliability and validity in prior empirical analysis (Mayer and Davis, 1999; Davis, et al., 2000). Respondents were promised confidentiality by the researcher. The survey was developed to assess perceptions of consumers toward companies from different countries. It included six items measuring ability, five measuring benevolence, six measuring integrity, and three items which measured trust for the company based on the definitions proposed by Mayer, et al. (1995) that trust is the willingness to be vulnerable. Responses to the five-point, Likert-type agree/disagree (1= strongly disagree; 5 = strongly agree) formatted items were averaged for each consumer to form scores for each of the antecedents of trust and trust itself.

Control

A number of variables can influence the trust for a particular company. For example, younger consumers should be less experienced and have less knowledge about companies from particular countries. Likewise, gender may play a role with perceptions of companies from different origins. A number of control variables were chosen to assess the relative explanatory power of ability, benevolence and integrity on trust for the channel. The following control variables were used: Gender, Age, Income, and Marital Status.

FINDINGS

This study is designed to examine the drivers of perceived trustworthiness of companies from different areas of the world by Taiwanese consumers. A total of 226 respondents completed the survey used to test our hypotheses. The average trust score for Taiwanese consumers was 13.18 (s.d.=3.13) with a range from 4 to 29. Fifty-four percent of the respondents to our survey were 54% female and 89.9% percent of the sample was not married. Eighty percent of the respondents were between 26 and 34 years of age. This study employed a scale

developed by Davis, et al. (2000) based upon a model that hypothesizes three antecedents to trust: ability, benevolence and integrity. Reliability coefficients for the scales used in this analysis were found to be similar to those found by Davis, et al. (2000) in their examination of American managers and were deemed acceptable for this study given the exploratory application of this scale to this sample (integrity scale alpha: .75; ability scale alpha: .67; Benevolence scale alpha: .80; trust scale alpha: .79).

The first hypothesis of this study examines whether Taiwanese consumers perceived significantly different levels in integrity by companies from different countries. We argued above that there would be a significant difference in perceptions of integrity. We employed ANOVA to test this hypothesis and found support for Hypothesis 1, there are significant differences in perceived integrity. Follow-up Scheffe tests were employed to determine the country clustering of the perceived differences. Three groups emerged in this testing with China in the first group, Korea and Taiwan in the second group and Japan, Great Britain, the United States and Germany in the third group. These results support hypothesis one. There are significant differences in Taiwanese perceptions of company integrity by country of origin.

The second hypothesis examines whether our sample of Taiwanese consumers perceived significant differences in company benevolence toward them by country. ANOVA was used to test this hypothesis and significance was found. Scheffe follow-up tests resulted in significant differences between four clusters of countries. The first cluster was China with the lowest perceived benevolence, followed by a cluster consisting of Korea and the United States. The third cluster consisted of only Taiwan and the fourth, the cluster with the highest perceived benevolence included Japan, Germany and the Great Britain. These results support hypothesis 2.

Hypothesis 3 posited that there would be significant differences in the perceived ability of companies from different countries. ANOVA revealed that this was the case. As with prior hypotheses, Scheffe follow-up tests were used and they revealed four groupings with companies from China having the lowest perceived ability in cluster 1, Korea and Taiwan in the second cluster, Great Britain, Germany and Japan in the third cluster, and companies from the United States with the highest perceived ability in cluster four. These results support hypotheses 3 that there are perceived differences of consumer perception of company ability by country of origin.

In hypothesis 4 we argued that there would be significant differences in Taiwanese consumer perception of company trust by country of origin. ANOVA showed that there are significant differences in perceptions, supporting our contention. Scheffe follow-up tests resulted in three clusters of countries.. The cluster with the lowest perceived company by country trust consisted of China and Korea. The middle cluster consisted of Taiwan. The cluster with the highest company perceived trust by country included the United States, Great Britain, Germany and Japan. These results support hypothesis 8.

The final hypothesis examined whether the trust model as posited by Mayer, et al. (1995) held with Taiwanese consumer perceptions of companies from different countries. Marital status, gender, income and age were used as control variables. Model one used only control variables and was not significant. Model one only explained .3 percent (adjusted) of the variance in trust. Model two uses the control variables and added the hypothesized antecedents of trust and was found to be statistically significant ($p \leq .000$). All three antecedents, ability, benevolence and integrity, were significant and explained 31.9% (adjusted) of the variance in trust. This supports the hypothesized model. Ability, benevolence and integrity explain a significant percentage of the variance in consumer perceptions of the antecedents in the Mayer, et al. (1995) trust model.

DISCUSSION

This research applies an American model of trust to a foreign setting. Multiple regression showed that the model of trust posited by Mayer, et al. (1995) explained 31.9% of the variance in trust. While the findings of this study explain less variance in trust than those in an American context, (Davis, et al., 2000), these results nonetheless show considerable support for the Mayer, et al. (1995) model. None of the control variables (gender, marital status, age, and income) was significant and all three hypothesized antecedents, ability, benevolence and integrity, were significant. These results suggest that the model of trust proposed by Mayer, et al. (1995), generalizes to the Taiwanese context.

This research supported our hypothesis that Taiwanese consumers perceive differences in organizational ability, benevolence, integrity and trust by country of origin (Asia, Europe and North America). The focal object of trust is not a specific company or individual similar to previous studies of trust. Rather, consumers were asked to think about

companies from a particular country. Consumer perceptions generalize to all companies from a particular country. Perceptions may be driven by their experience with companies from that country, mass media reports on business from that country, experience of others within their social network, or many other ways. Regardless of where their perceptions come from, their perceptions are their reality and directly affect their trust and purchasing behavior.

One question that deserves further research is whether consumer trust for foreign company products is a general societal perception or truly an individual phenomenon. This is driven to a degree by the culture of the nation. Hofstede's research suggests that Taiwan's culture is more collectivist than individualist (Hofstede, 1980). This suggests that Taiwanese consumer perceptions will be based upon the social system and that belief is placed in group decisions. This would suggest that the variance between individual consumer perceptions will be lower in Taiwan than those of consumers in more individualistic societies such as the United States.

Although this study of Taiwanese consumers confirmed all the trust variables of the Mayer, et al. (1995) model, the actual 2001 trading data also reflect certain biases toward certain countries as suggested by Saimee (1994). Saimee (1994) found that while consumer attitudes and subsequent choice behaviors are invariably related to country-of-origin preferences, we could expect these attitudes to be expressed in different levels of trust of companies by country-of-origin. Despite proximity and cheaper transportation costs with South Korea and China, political bias seems to limit the trust and restrict the trade volume somewhat. However, price considerations and exchange rate variations seemed to override trust considerations as evidenced by higher trade with China and South Korea and lower trade with Germany and Great Britain.

Despite the fact that many Taiwanese consumers can trace their roots back to China, Chinese companies were perceived to be lowest of companies from all other nations in terms of benevolence, ability, integrity and trust. There has been substantial bad political blood between China

and Taiwan and Taiwanese nationalism may drive the perceptions being measured in this study (e.g., Clifflord, et al., 2001). Interestingly, of all Asian trading partners China ranks third in terms of trading volume with Taiwan. We believe that this volume is driven by their close proximity and China's ability to compete on cost. For example, a recent Wall Street Journal article (Day, 2003) examined China's trade with other Asian nations and concluded that many Taiwanese companies have moved production to China to take advantage of lower labor and land costs. Taiwan's Lite-On Technology Corporation, which supplies flat screens and monitors, has 3,000 employees in Taiwan but 300,000 employees in 18 of its Chinese factories.

Japan consistently ranked highly on all the dimensions of perceived trust. While many Asian countries continue to harbor resentment for Japan for treatment they received during World War II and Japan's aggressive business practices, Taiwanese consumers perceive Japan's companies as trustworthy. Japan began partnering with Taiwan and building its economy prior to the second world-war was not perceived as a threat by the typical Taiwanese. As a result, consumers today view Japan as an ally rather than a competitor. Hence, consumer perception of trust is higher for Japan than companies from other Asian countries.

Consumer perceptions of trust for non-Asian and Japanese companies are typically higher than for Asian Countries. With very few exceptions Germany, Great Britain, United States and Japan appear in the highest scoring cohort for trust, ability, integrity, and benevolence. This runs counter to theories arguing for choices based upon similarity. Further investigation is needed into the factors underlying this finding. Politics and mass media may have a great deal to do with societal perceptions of products from a particular country. If consumer perceptions of company goods can be manipulated by media and governmental actions, governments may be an important factor in the revenue equation for firms (Davis, et al., 1999).

* For a complete paper with table results, please contact the authors.

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INTERACTIVE MARKETING: BRINGING CULTURES CLOSER TOGETHER – A REVIEW

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ABSTRACT

Technological advances, more specifically, the Internet, is said to be a driving force behind globalization. These two together have forever changed the traditional ways of doing business. Technology and the Internet are causing consumers around the world to have more similar tastes and preferences while wanting the same products and services. When marketing online, there are many new obstacles to overcome to account for cultural differences. This study attempts to shed light on methods of interactive marketing and its importance in better understanding cultural differences.

INTRODUCTION

“Culture can affect technology transfer, managerial attitudes, managerial ideology, and even business-government relations. Perhaps most important, culture affects how people think and behave (Hodgetts and Luthans 2003, p.109).” Therefore, when doing business in other cultures, it is important to understand differences in order to tailor the home country’s business practices to the host country’s culture. Understanding cultural differences is critical for the success of any company’s marketing strategy.

“The great influence of globalization [on marketing] has developed during the last centuries due to the impact of different driving forces within the economy...” (Rundh, 2003). One of the most prevalent driving forces is technology. Although each culture continues to strongly impact how people think and behave, technology and the phenomenon of globalization are together causing traditional ways to change. Technology and the information superhighway have significantly reduced or eliminated geographical barriers to commerce. Technology has and is increasingly causing consumers’ tastes and preferences to become more similar, while allowing consumers to experience and purchase products from abroad (Kotabe & Helsen, 2001).

As globalization continues to bring cultures closer together, it is important for marketers to understand cultural differences in order to have a successful marketing strategy online. Marketers who

fail to pay attention to these differences will lose market share, revenues, and ultimately be ineffective in marketing to their global consumers and/or operations.

Significance

“Developments in communications and transportation are at the forefront of technologies that push globalization” (Daniels, Radebaugh, & Sullivan, 2002). Due to these technological advances and regional developments such as the North American Free Trade Agreement (NAFTA), the European Union (EU), the Association of Southeast Asian Nations (ASEAN), and the Southern Common Market (Mercosur), the world is increasingly becoming more globalized. This trend, or phenomenon, is causing consumers’ tastes to become more similar, while businesses are increasingly gaining revenues from the international market. When companies do business abroad, or deal with customers from another culture, it is important for people to know how to interact with each other, and have an understanding and respect of the other’s culture in order to prevent misunderstandings or miscommunications. However, when dealing with other cultures online, communicating globally is made far more difficult. For these reasons, it is important for marketers to make themselves culturally aware of each other’s differences in order to increase their chances of being successful.

TECHNOLOGICAL ADVANCES & GLOBALIZATION

Many technological advances have changed the traditional ways of doing business. The most prominent two include the Internet and the World Wide Web. These together are “redefining marketing communications, altering distribution channels and sales models, modifying consumer behavior, and mediating the relationship not only between businesses and individual consumers, but on the business-to-business level as well” (Zimmerman, 2003). With the Internet initiating the advent of many new technologies, it is important to discuss it in order to see how it has fueled globalization, how it has impacted marketers, as well as discuss the opportunities at hand (Bichler, 2001).

The Internet

Although the Internet has only had a life span of approximately 35 years, it has had a profound impact on the way people do business, communicate, and shop. With more products to choose from, more ways to shop, more decisions to make, and less time, the Internet has transformed our daily lives. Rather than driving to the grocery store or to a favorite fast food restaurant, it is now possible for a person to order their groceries or dinner online, as well as have them delivered and paid for. Instead of writing a check and mailing this month's utilities bill, it is possible to pay bills and handle bank accounts online. It is now feasible to custom make and purchase cars online, book airline/train tickets, among other things. It is now possible to get whatever someone wants online. Although these are just a few examples of what Internet has done to change our daily lives, it is more important to look at how it has affected our overall economy.

Globalization

Globalization can be defined as “the production and distribution of products and services of a homogeneous type and quality on a worldwide basis” (Hodgetts and Luthans, 2003). Technology has not only eliminated the geographical barriers to commerce but also has caused consumers to have similar tastes and preferences. “The drive for globalization is being promoted through more free trade, more Internet commerce, more networking of schools, communities and business, more email, so that we can ultimately have global integration 24 hours a day, across 24 times-zones and into cyberspace” (Dunlap, 2000).

Technology's Role in Globalization

The Internet has undoubtedly made commerce easier by bringing consumers closer together. It is now just as easy to sell to consumers around the globe as it is to sell to consumers next door. “Everyone everywhere wants all the things they have heard about, seen, or experienced via new technologies” (Levitt, 1983). Although the effects of globalization can be seen everywhere, from the foods people eat and the clothes people wear, it is more noticeable when looking at the trends of electronic-commerce, or online spending. Due to globalization, the amount of online spending has soared, nearly doubling every year. Towards the end of 2001, Internet revenues exceeded \$700 billion in The United States alone (Zimmerman, 2003).

There has been a continuous increase in the amount of online revenue – reaching a projection of \$1,333 billion for 2005. The importance of gaining a foothold in the online market can be seen by the immense amount of money that is spent from online transactions. Although these figures are for the U.S. alone, the rise of globalization only seems to suggest that there are many opportunities and benefits to be reaped from a company's online presence. Therefore, in order to capture market share abroad, it is vital that marketing strategies have a global focus, while accounting for cultural differences online.

THE EFFECTS OF GLOBALIZATION ON MARKETING

According to a research poll in *Information Week*, all the segments of a business marketing system including traditional marketing practices, customer services, and sales, have experienced the greatest impact due to changes in technology (Kleindl, 2001). Together, “marketing campaigns can [not only] create awareness [of the products and services offered], but drive consumers all the way through the process to actually making a purchase online” (Wu, 2003). However, when businesses develop marketing campaigns online, it becomes much more difficult due to cultural differences.

Simply put, “the nature of the World Wide Web is such that any marketing Web page is automatically an international marketing Web page” (Hofacker, 2001). Although globalization has caused tastes to become more homogenized, there are still distinctive differences, which need to be accounted for when using marketing tactics online. Therefore, it is extremely important that marketers have a global outlook when marketing online.

Interactive Marketing Tools

Internet marketing, or interactive marketing, is relatively new and can be used as a means to reach global consumers. In spite of being a relatively new technology for practical marketing, it is estimated that in 2003, more than \$50 billion will be spent on some form of Web-advertising (Bruner, Harden, & Heyman, 2001). Although there are a wide variety of marketing tools/tactics to be used when marketing online, a few of the most prominent means include: the use of Web pages, e-mail marketing, and e-advertising (i.e. banner ads, pop-up ads).

Web Pages - Many web pages, or a web site, are considered to be virtual stores providing the same documents, images, and information to supplement the business's physical location. In 1999, NEC Research Institute produced the results of a study suggesting there were approximately 800 million Web pages, with 3 million being added daily (Silverstein, 2003). Along with the web pages that are created each day, comes an increasing amount of money spent on marketing online, as well as more advertisements. After all, "having a Web site is great, but meaningless if nobody knows about it" (Sweeney, 2003). Therefore, it is important to use other marketing tools to supplement a web page to ensure that customers are informed of the virtual store, just as one would be familiar with a physical store layout.

e-Mail Marketing - "E-mail is not only ubiquitous, it is preferred over voice and face-to-face communications, according to Ernst & Young and the American Management Association" (Kinnard, 2002). As a preferred choice, it is not only the most popular means of interactive marketing, but can be extremely effective in building relationships. One example of this can be seen in e-mail newsletters, where a consumer subscribes to a service, such as the Wall Street Journal online, and receives newsletters in their e-mail account on articles, special offers, and quotes, among other services.

e-Advertising - This can take many shapes and forms, with banner ads being one example. As one of the most frequently used forms of online advertising, banner ads can be purchased and placed on other Web sites (Silverstein, 2002). This helps create awareness as well as entice customers to a specific company's homepage.

Although these are only three examples of interactive marketing tactics, there is a large assortment to choose from, all with their own advantages and disadvantages. Using a variety of

marketing efforts simultaneously will generally produce the best results.

Cultural Differences

Although cultural differences may be diminishing over time, they still need to be considered and accounted for in marketing campaigns. Globalization will continue to affect cultures, making it more important for marketing managers to stay on top of the changes. If marketers do, they will be able to respond to the changes in customer's wants and needs, the changes in competition and technology, as well as the changes in ways of doing business.

Although language is only one example of a cultural difference, it is one of the most noticeable. Although English is considered the international language of business, it may not be the most widely used. In fact, very few countries have English as their primary language, and online language populations are increasingly becoming more diverse (CIA World Fact book, 2002).

With one of the most important aspects of shopping online being customers' experience, it is important to make shopping online as easy and convenient as possible (Haegele, 2001). "Customers [are more than willing to] pursue their own best interest by shifting purchasing patterns to take advantage of offers of higher quality, greater variety, cheaper prices, more convenience, or other salient choice criteria" (Kleindl, 2001). If a Web site or marketing campaign is made difficult to understand or use, it is almost guaranteed consumers will turn elsewhere. Consequently, by marketing to consumers in their own language, they will find shopping more convenient and easy, producing the best results and improving the business's image.

Although language is just one aspect of any culture, it is beyond the scope of this study to go into detail about all cultural differences. However, when marketing online, it is crucial to consider all ethical, political, and legal differences.

Implications

Globalization is constantly changing 1) how business is conducted and 2) the strategies practitioners are choosing to implement. One implication for those practicing interactive marketing deals with the pace of cultural changes. As cultural patterns have been shown to change rapidly, and given the large body of academic literature that has

been written on international marketing, technological advances and globalization, it is important for marketers to stay on top of new research strategies and factors affecting the changes in cultures around them. Although business may be conducted online, there is still the need for practitioners to make themselves aware of political, legal, or economical changes or risks that can affect business with a foreign market.

With cultural patterns shifting, there are also more implications for researchers. Today, there are opportunities to look at specific cultural differences to discover which differences make it easier or more difficult to market online. Secondly, with many different cultures, researchers can look at how a company goes about marketing to one foreign market as opposed to many. Finally, research can be done to look at the benefits and detriments of online marketing and the costs associated with it.

CONCLUSION

The Internet has had an outstanding impact on the traditional ways of doing business, communicating, and shopping. Being a key driving force behind globalization, it has helped create and develop a flourishing electronic market - eliminating geographical barriers and bringing consumers closer together. According to Bill Dunlap, Managing Director of Global Reach, "There's no sense in fighting against either globalization or the Internet. They're coming, whether you want it or not.

[Therefore,] the real issue is to learn to use globalization to your advantage" (Dunlap, 2000).

As the trend of globalization increases throughout the years, the workforce will simultaneously become more culturally diverse. More competitors will come from abroad, and cultures will continue to converge. As developing countries begin embracing the newest technologies, the amount of money and time spent online will continue to soar. It will become possible to look at any market's behavior and visibly see how that market has been influenced by the opportunities that open up and become available abroad (Rundh, 2003). Concurrently, businesses will find the need and desire to serve the demands of these markets. Yet, "if marketing is the process through which you create and keep customers, then it [should be]...the most important process in business" (Gilbert, 2003). As a result, it will be up to the marketers and their online global strategies to gain and retain the customers of today and in the future.

"In the 21st century, the ability for ad agencies to provide worldwide, integrated marketing services for their clients will become essential. Only those marketers and agencies with the ability to brand products and services globally will thrive..." (Schultz & Kitchen, 2000). Thus, it is important for all companies to have an online presence. More importantly, however, it is essential to have a global marketing strategy to build their brand's image and gain market share abroad, while enjoying first mover advantages.

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