

THE 1998 MARKETING MANAGEMENT ASSOCIATION PROCEEDINGS

Dear MMA Member:

It is my pleasure on behalf of the members, officers, and Board of the Marketing Management Association to present the MMA Proceedings of our 1998 conference.

I salute our 1998 MMA program chair, Karen Glynn and all the contributors to this year's program -- track chairs, authors, reviewers, discussants, session chairs. The efforts of these people represent hundreds of hours of putting together an outstanding program which features a diversity of current marketing and teaching concerns and of research interests. My thanks also go to Dale Varble and Joyce Young for their excellent work in editing the Proceedings.

Only those papers which pass a triple anonymous review are accepted for presentation at the conference and for inclusion in the Proceedings. This year three papers have been selected for special recognition:

1. 1998 MBAA Distinguished Paper Award to the Marketing Management Association:  
**"Service Quality and Repeat Usage: A Case of Rising Expectations"**  
by Brian Engelland, Chris Hopkins, Letty Workman, Mandeep Singh
2. Marketing Management Association Marketing Education Best Paper 1998  
**"The Unification of Marketing Assessment in Higher Education: A Model"**  
Oscar McKnight  
Ronald Paugh
3. Firooz Hekmat Consumer Behavior Best Paper 1998.  
**"Retirement and the Nature of Your Work: Do They Affect Your Cognitive Processes Later in Life"**  
Robert Montgomery  
Ronald Taylor  
Mark Mitchell

I hope this volume of Proceedings will meet your needs and will act as an inspiration to your teaching and research activities.

**Eleanor Maliche**  
**MMA President**

## ACKNOWLEDGEMENTS

### MARKETING MANAGEMENT ASSOCIATION 1997-98

#### OFFICERS

Eleanor Maliche, President  
Karen A. Glynn, President Elect/Program Chair  
Gene C. Wunder, VP, Membership  
Ram Kesavan, Secretary  
Julie Toner Schrader, Treasurer  
Paul C. Thistlethwaite, Executive Secretary  
Ronald D. Taylor, Past President

#### BOARD OF DIRECTORS

John Summey	(00)
Mike d'Amico	(00)
Joyce Grahn	(00)
Sue Petroschius	(00)
Barb Nemecek	(00)
Peter Gordon	(99)
Mark Mitchell	(99)
Carl Dyer	(99)
Judy Wiles	(99)
Linda Wright	(99)
Lori Feldman	(98)
Kimball P. Marshall	(98)
Ronald Paugh	(98)
Charles E. Pettijohn	(98)
Sharon Wagner	(98)

#### PUBLICATION COUNCIL

Dennis Clayson	(00)
Bruce Keillor	(00)
Kenneth Heischmidt	(98)
Jane Wayland	(98)
Bob Erffmeyer	(99)
Bert J. Kellerman (Chair)	(99)
Mike d'Amico	Editor, <u>TJMM</u> , (Ex-officio)
Dale Lewison	Editor, <u>TJMM</u> , (Ex-officio)
Charlie Pettijohn	Editor, <u>TJMM</u> , (Ex-officio)
Karen Glynn	Editor, <u>98 Proceedings</u> (Ex-officio)
Dale Varble	Editor, <u>98 Proceedings</u> (Ex-officio)
Joyce Young	Editor, <u>98 Proceedings</u> , (Ex-officio)
Frederick Hoyt	News Action Editor, Ex-officio (97)
Paul C. Thistlethwaite	(Ex-officio)

## LIST OF REVIEWERS

Bruce Alford  
University of Evansville

Donna J. Hill  
Bradley University

Madhukar G. Angur  
Univ. of Michigan-Flint

Amy Hubbert  
Univ. Of Nebraska at Omaha

Maryanne C. Bickle  
Colorado State

Karen James  
Louisiana State University

Alan J. Brokaw  
Michigan Tech. University

Stephen LeMay  
Mississippi State Univ.

David Burns  
Youngstown

Raymond R. Liu  
University of Massachusetts-  
Boston

E. Wayne Changler  
Eastern Illinois University

Mark Mitchell  
USC Spartanburg

John Cherry  
Indiana Univ.-South Bend

Prashanth U. Nyer  
SBE

Victor Clark  
Upper Iowa University

Harold Ogden  
Saint Mary's

Dennis Clayson  
University of Northern Iowa

Susan Petroschius  
Bowling Green State  
University

John Drea  
Western Illinois University

William Strahle  
Rider

Margery Fetters  
North Central College

Ernest Tiemann  
Concordia University

Jacque Foust  
University of Wisconsin-River  
Falls

Stanley M. Widrick  
Rochester Institute of  
Technology

Dennis Garrett  
Marquette

Letty Workman  
Ohio University

John Grant  
Southern Illinois University

Linda Wright  
Mississippi State University

Larry Haase  
Central Missouri State  
University

Newell D. Wrightman  
James Madison

Joyce Hicks  
Saint Mary's, Notre Dame

Larry Zigler  
Highland Comm. College

**FELLOWS OF THE MARKETING MANAGEMENT ASSOCIATION**

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.

We continue to honor those who have served as each richly deserves the gratitude and approbation the title of Fellow is intended to convey.

**1997-1998 Fellow**

**C. Lynn Abercrombie**

**1996 Fellow**

**James (Bud) Spaulding**

**1995 Fellows**

**Donald F. Mulvihill**

**Paul E. Arney**

**Donald L. Shawver**

**John S. Berens**

**CONFERENCE TRACKS**

**Greg Baleja**  
**Alma College**

**Dennis Clayson**  
**University of Northern Iowa**

**Margery Fetters**  
**North Central College**

**John Hickey**  
**Dominican University**

**Maryon King**  
**Southern Illinois University**

**Thomas Klein**  
**University of Toledo**

**R. Mohan Pisharodi**  
**Oakland University**

**Uday S. Tate**  
**SE Louisiana State University**

## TABLE OF CONTENTS

✧	Traveling the Information Highway: Destination - The Marketing Classroom .....	1
	Improving Student Learning in the Marketing Management Course .....	6
	The Sentiments Toward Marketing of Business Students: A Comparison and Benchmark for Marketing Educators .....	11
	Services Response Logistics in Services Marketing .....	17
	Perceptions of Underinsurance in the Health Care Industry .....	18
	Poster Session - Patterns of Use of Cyber-Media by Manufacturing Firms .....	24
	Effects of Various Advertising Mediums on Consumers of Differing Generations .....	25
	Benefits of Cooperative Advertising .....	26
	Rethinking Marketing Communications .....	29
	Evaluating Marketing Performance .....	30
	Implementing the Strategic Marketing Plan: Structuring Program Management in Institutions of Higher Learning .....	35
	Service Quality and Repeat Usage: A Case of Rising Expectations .....	40
✧	Corporate Responses to Consumer E-mail Complaints: A Pilot Study .....	46
	Retirement and the Nature of Your Work: Do They Affect Your Cognitive Processes Later in Life .....	51
	Buying Decisions Using Reference Points: The Role of Social Communication .....	56
	Is It Time to Re-Think Channels Management in Light of Product and Packaging Disposal Issues? .....	64
	Micro-Small Business & the Importance of Marketing Factors .....	70
	Teaching Conflict Resolution Skills for Successful Teams .....	75
	The Unification of Marketing and Assessment in Higher Education: A Model .....	80
★	Building a Foundation for Successful Publishing in Marketing Journals .....	84

**TABLE OF CONTENTS, continued**

The Emic vs. Etic Dilemma in Cross Cultural Marketing Research: A Personal Construct Theory Perspective .....	89
Domestic vs. International Retail Organizations: What Are the Differences? .....	95
The Use of Power and Sources of Power in International Channels: The Case of Electric and Electronic Industries in Taiwan .....	100
It's Not the "Transportation Industry" Any Longer: Toward an International Growth Model of Marketing Management and Strategy Based on Selected Port Development Experience .....	105
Student Ethnocentrism and Attitudes Toward International Trade Agreements .....	106
Kansas Manufacturing Export Activity and The Impact of NEFTA, GATT, and ISO 9000 .....	112
Challenging Cultural Consumption Stereotypes: An Investigation of Conspicuous Consumption Values Within a Chinese Immigrant Population .....	121
Database Marketing: A Review and Synthesis .....	129
Comprehensive Brand Presentation: Ensuring Consistent Brand Image .....	134
A Follow-up Study of the Role Portrayal of Men and Women in General Audience Magazine Advertisements .....	139
Gender Differences in Student Assessment of Characteristics Related to a Sales Career .....	144
Internal Marketing Communications as a Management Responsibility: Getting Bad News to the Top .....	148
Is There a Direct Effect of Market Orientation on Business Performance? The Role of a Mediator .....	153
Advertising Costs and Health Care .....	158
Shaking The Money Tree in Times of Drought: Have You Thought about a GSE Team Membership? .....	163
Perceived Risk as a Determinant of Perceived Value .....	164
Relationship of Service Quality Perceptions to Public School Volunteerism Among Non-Parents .....	173
Use of Multidimensional Perceptual Maps in Determination of Service Quality .....	177

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

PHYS 435

LECTURE 1

1.1

1.2

1.3

1.4

1.5

1.6

1.7

1.8

1.9

1.10

1.11

1.12

1.13

1.14

1.15

1.16

1.17

1.18



# TRAVELING THE INFORMATION HIGHWAY: DESTINATION - THE MARKETING CLASSROOM

*Melodie R. Phillips, Middle Tennessee State University  
Veronica Horton, University of Akron*

---

## ABSTRACT

*This paper examines the current state of integration and research regarding the use of the Internet in marketing education. This investigation summarizes current happenings, teaching approaches and uses of Internet activities in the traditional marketing classroom. This paper also proposes ideas for future applications and research.*

---

## INTRODUCTION

The introduction of technology into the classroom environment has often been heralded as the "wave of the future" in enhancing educational experiences of students. Many skeptics, however, continue to believe that these improvements, projected to 'hit' within the next 18 to 24 months, generally fail to fully materialize in their academic applications. Industry developments in technology that are perceived as revolutionary for academic applications are often too costly and require extensive evaluation prior to integration into the academic environment. Hence, often the newest of classroom technologies are quite outdated by the time they are fully adopted by educators. The "speed" of integration of technology into the classroom is easily documented by the fact that it took 40 years for the overhead projector to move from the bowling alley to the classroom! (Dvorak, 1996). Recently, the newest technology craze of interest to educators is the World Wide Web (WWW)/Internet (Net).

This paper seeks to discuss the value of the Internet and the WWW in the educational environment and to identify key areas of future investigation by educators for its successful and relatively swift introduction in the academic environment. We will examine the state of cyberspace in the marketing classroom. This paper will initially explore how the Internet is moving into the classroom as a student generated activity, and problems and benefits arising from that. It will then consider the role of the professor in incorporating the Internet into business curriculum. Finally, it will outline areas for future study. It should be noted that our discussion, however, is centered around the use of the Internet in a traditional classroom, rather than

in a distance learning program.

## BACKGROUND

One might say that the Internet has finally come of age in the minds of business people. Once a medium used by academics and government workers for information sharing and retrieval (Brown, Nielson and Sullivan, 1996), the Internet was largely ignored by the business world. Now, however, the Internet is hot, and firms of all sizes and types are scrambling to board the bandwagon to cyberspace. Corporate Web page are becoming a necessary commodity, and some firms such as Proctor and Gamble are even taking out domain names such as headache.com and underarms.com (The Economist, 1996). Advertising revenues are skyrocketing, from some \$55 million in 1995 to \$343 million in 1996 (Weitz, 1996) as firms attempt to capitalize on the commercial promise of the Internet. Many companies are also beginning to see the value of the Internet as a training facilitator. Many companies today, provide sales skills training via the Web, thus saving the cost and time commitment of more traditional methods (Kahn and Sloan, 1999). Even President Clinton has hit the information highway, promising that by the year 2000, every American student will be connected with the Internet (Skinner, 1997).

The up and coming value of this approach (WWW) as a reference source to students seems unmatched. "The Internet has distinctive powers to complement, reinforce, and enhance some of our most effective traditional approaches to university teaching and learning" (Rudenstine, 1997). The computer based instruction enables students to follow individual learning paths, offers the convenience of self-paced work, richer

materials, and an automatic measurement of progress (Brown, Nielson and Sullivan, 1996; Kulik, Bangert and Williams, 1983). "If one accepts the premise that learning is enhanced through discovery, the Internet sets the stage of individualized growth," (Corder and Ruby, 1996). It is now possible to introduce the student population to a new avenue of "educational browsing" that provides visual, auditory and interactive of stimulation.

It is the sheer magnitude of the contribution to education that makes the Internet worth embracing. This embracement may take the form of large capital investments, however, the value of the interconnection of information to students, faculty, and firms seems without bound. Further, the creation of unusually stimulating and involving course materials peaks interest in integration even further. In addition, as Rudenstine (1997) suggests, it reintroduces educators to the concept that students are active agents in the educational processes.

### **Students on the Information Highway**

Access to the WWW has removed much of the necessity for the traditional mortar and bricks approach to information search (Technology and Learning, 1997). The necessity of traveling to the university during library operating hours has become moot. However, varying levels of "techno fear" exists within the student population at most major universities. It seems clear that many students are already expert drivers on the information highway, while others however, are still struggling to get their learners permit. Many non-traditional students just returning to the classroom find the mere suggestion of an assignment on the Internet highly intimidating.

It has been suggested that the Internet offers an unprecedented tool for learning, that it is a virtual classroom that requires only a computer and a modem to participate (Seguin and Seguin 1995). Students really need to possess a limited number of skills to successfully navigate the Net: 1) an ability to use a browser; 2) an understanding of the diverse networks interlinked and 3) skill at using search engines such as Yahoo. With these limited skills, many students today have let the Internet replace the library as the place to hang out, meet people and conduct research.

While many students eagerly enter the world of cyberspace, it is not clear whether they have made the connection between the real classroom and its virtual counterpart, nor is it clear whether teachers are

adequately contributing to the learning process. Yet, "most educators would not hesitate to grab an opportunity to inject the classroom with a greater sense of reality," (Corder and Ruby, 1996).

In a single classroom, a marketing educator may encounter a vast range of Internet capabilities, from those who are capable of conducting sophisticated searches, to those who think a browser is a sophisticated shopper. One of the challenges for professors who are trying to incorporate the Internet into their classroom is identifying ways to help the beginning student learn the ropes while not boring the more advanced student. Yet, instructors may find it difficult to demonstrate the capabilities of the Internet because there is no cookbook method of finding information, nor is there a comprehensive listing of what is available. Educators may also be frustrated at the amount of time that is often spent explaining Internet assignments, particularly at the front end of the semester. In addition, professors may find that students become so focused on the computer skills involved in an assignment that they lose sight of the marketing aspects of the exercise (Kipp, 1996).

The task for marketing educators is often more difficult because students may claim to (and perhaps actually believe they) understand the workings of the Internet better than they actually do. This situation exists because people often learn enough to accomplish an immediate task, but go no further - that users learn only what they need to know to accomplish the task at hand, and then rely on that knowledge for future efforts, even when it is inappropriate to do so (Dumont, 1996; Carroll and Rossen, 1988). As noted by Dumont (1988), when students have difficulty using the course tools, they are not learning.

### **Ease of Access**

Many students users of the Internet are thrilled to learn that they literally have information and data at their fingertips, yet they fail to question the reliability and credibility of this information. Instead, they frequently seem to see the Internet as a great time saver - they no longer have to go to the library to get the information to complete an assignment. Yet a critical difference between the information available in the library and the information in cyberspace is that the library sources are likely to be fairly credible - to get to the library they have endured varying degrees of editorial control. However, much of the information available on the Web is opinion-based. It is important to stress to students that information must be evaluated carefully before it is taken

as factual. In many cases, it may be worthwhile to suggest that the Internet should not replace traditional library searches, but instead compliment them.

The processes of utilizing the WWW may seem simplistic to the trained and experienced student, however, it may prove highly stressful to many students that have just mastered the transition away from the card catalog to computer generated library searches. Facilities at many universities provide access to on-line browser services, however, the availability of trained assistance is often questionable. In addition, many students may find the actual computer facilities frustrating. Computers are often down, or otherwise inaccessible, particularly during "crunch" times such as the end of the term. Speed is also problematic when utilizing the Net during hours in which both the East and West coast are on-line. These factors can make the completion of assignments on the Internet especially challenging.

Utilizing the WEB as a source of reference materials requires the use of a browser application program. Netscape Navigator is one such program that allows the student to access information through several servers such as Yahoo and Magellan. The identification of key words or topic areas enables access to thousands of files within moments. Further detail on any particular topic is merely accessed by clicking on sites of interest. Students may record the Web sites for referencing in assignments and print out information collected for further examination off-line.

However, using the Web as a reference source can prove problematic and could prove considerably less useful than access to a good library (Wildstom, 1997). First, there is the issue of going in circles. When searching the Web using a browser, key words identified may yield multiple potential sources of information that backtrack and result in the location of the same site from several approaches. Further, there is the problem of a search on the net going everywhere. Second, the sheer volume of information may result in the student searching and clicking across cyberspace in a hodge podge of unrelated or minimally useful destinations. It is believed that the Web doubles in size approximately every six months. Hence at the end of 1996 approximately 50 million pages of material were available (Soloway and Wallace, 1997). While this wealth of information may be of great value to students and educators seeking information on a particular topic, it can also prove frustrating as information searchers, especially those incorporating images, take longer and longer to receive.

## **Future of Internet Research and Implementation**

Recent focus groups conducted with education professionals have highlighted a number of uses for the Internet by faculty members. These applications vary from communication applications (developing networks with colleagues, transfer of information) to research and instructional applications. Research applications highlight the use of the Web for gathering information from on-line databases, using Web search engines to locate a variety of information, publishing opportunities, and self-education applications. Possible instructional applications involve interactive project-based learning activities, creative development of learning materials, and the actual delivery of undergraduate courses at a distance (Rosen, 1996).

Marketing education applications offer a variety of opportunities for instructors and students to utilize this new form of information retrieval. Since Web sites can be set up by virtually anyone, most major corporations have developed home pages as a source of disseminating public relations materials and developing on-line catalogs. Each of these applications can assist the industrial marketing and promotions student in researching companies of interest. Research assisting in determining corporate strategies and other relevant information is easily accessible. The Web also provides a number of sites designed to provide demographic information, development of a small business plan, and information regarding international markets. Each of these potential applications can be incorporated nicely into term projects and daily activities designed to supplement in-class work via real world applications.

## **Benefits to Students**

The question of whether to incorporate the Internet into marketing curricula like any other curriculum change requires an analysis of the expected benefits to students. In the case of the information highway, the benefits may be very real. In fact students may actually force educators into virtual reality because they view the Internet as a necessary part of the business world.

Students often find that the ability to communicate via e-mail greatly facilitates team projects. Students can exchange information and ideas without having to resolve the scheduling conflicts that frequently lead to disastrous group projects. More ambitious students may even communicate with students at other universities (Seigel, 1996). In fact, Nora Sabelli of the

National Science Foundation suggests that the Internet's primary benefit will be in "breaking the isolation of the classroom" as students talk to experts in a field, exchange ideas and gain access to real-time information (Wall Street Journal 3/19/97).

As mentioned previously, another benefit to students of incorporating the Internet into the classroom involves the meeting of employer expectations. Many companies today rely on the Internet in various ways both in the marketing of their products and also for internal communications. Students who are already comfortable, capable users will have an edge over their less experienced counterparts. A fourth and related benefit from the incorporation of the Internet in the classroom is the opportunity for students to learn in a simulated environment. Some educators are already finding the Internet allows them to develop exercises that allow students to make decisions based on real situations. Students at MIT, for example, simulate a live trading room through the use of real-time data feeds from Reuters (Ives and Jarvenpaa, 1996).

Certainly, as mentioned above, a fifth benefit of the world of cyberspace is the wealth of information that is easily accessible. As noted by Seigel (1996) this information access is particularly important to students in areas where library sources are limited. However, as discussed previously, it is critical to make students aware of need to evaluate sources in terms of their credibility. In fact, many educators may find that they are presented with an opportunity to demonstrate the value of using multiple sources if information when conducting assignments and research studies. Finally, it has been suggested (Seigel, 1996) that the Internet can actually facilitate classroom management in that students and professors can communicate via e-mail.

One of the key issues a marketing educator must confront when considering the decision to formally bring the Internet into the classroom is identifying exactly how and why students should be familiar with the world of cyberspace. For example, should the focus of an assignment be on *how* to conduct a Web search, or should the assignment emphasize the wide range of information that is available on the Net. Should the educator provide students with Web addresses and ask them to complete the assignment based on the information available at the various sites, or should an assignment require students to seek their own sources of material. Clearly the answers to these questions and other like them will depend on a myriad of factors

including the course objective, the position of the course in the curriculum, the level of students, the abilities of the students, and so forth.

Concerns with encouraging the use of the Internet in an academic setting are widespread. First, there is the problematic issue of validity. Students using the Internet as a reference source must recognize that the information retrieved is only as good as the original sources (Himmelfarb, 1997). While this is an issue of significance with all forms of information retrieval - this particular issue is exceptionally problematic when dealing with references whose sources are so profuse and indiscriminate. Further, there is serious concern over the perceived ease of information of access over the Internet. This ease of access and "book-free" approach to research may limit the development of logical, rational and systematic habits of thought (Himmelfarb, 1996). In other words, are we training our young scholars to belittle the study of great books that require careful analysis and integration of information and experience?

Further concerns with the development of the Web question its use as a source of information. The Web is **not** a library. There is absolutely no guarantee of the comprehensiveness of coverage on any topic. It was not designed to be a systematic record of human existence (Soloway and Wallace, 1997). In fact, the very growth and dynamics of the Internet make it an unreliable source in some ways. Educators and students may be challenged and frustrated by the fact that Web sites come and go, that a site that exists one day, may not be a part of the cyberworld the next.

## CONCLUSION

While the world of cyberspace appears to be the popular place to go these days, one question remains glaringly unanswered: does the Internet truly offer students a better learning method? Our understanding of the world of cyberspace and its position in the marketing classroom is still relatively limited. As the business world's entry into the realm of virtual reality continues, there will be an even greater push for marketing graduates to be experienced and comfortable with this technology. Hence, it is important for marketers to explore the different methods of incorporating the Internet into the marketing curriculum. Researchers should examine not only *how* the Net can be included in the classroom in terms of the types of assignments and so forth, but also *when* it should be embraced. In addition, it will be important to determine the effect of this rapidly

evolving technology on teachers and students alike. It is only then that we will truly be able to answer the question posed earlier: would students have gained

similar knowledge and benefit from traditional classroom instruction?

## REFERENCES

- Brown, Carol E., Norma L. Nielson and David Sullivan (1996) "Enhancing Business Classes with the World Wide Web," *Journal of Education for Business*. (July/August), 317-322.
- Carroll, J.M. and M.B. Rosson (1987) "Paradox of the Active User," in *Interfacing Thought: Cognitive Aspects of Human-Computer Interaction*. J.M. Carroll, ed., Cambridge, MA: MIT Press, 80-86.
- Corder, Steve and Ralph Ruby, Jr. (1996) "Using the Internet and the World Wide Web: The International Connection," *Business Education Forum*. (October), 31 - 32.
- Dvorak, John C. (1996) "The Computers in Education Fiasco," *PC Magazine*, (October 8), 85.
- Dumont, Raymond A. (1996) "Teaching and Learning in Cyberspace," *Transactions on Professional Communication*. Volume 39, No. 4, 192-204.
- Fleischman, John (1996) "The Web: New Venue for Adult Education," *Adult Learning*. (September/October), 17-18.
- "Getting Wired, U.S. Schools Face Steep Learning Curve," *Wall Street Journal*. (3/19/97), B1.
- Gustafson, Robert L. and Steven R. Thomsen (1996) "Merging the Teaching of Public Relations and Advertising onto the Information Highway," *Public Relations Quarterly*. (Spring), 38-42.
- Ives, Blake and Sirkka L. Jarvenpaa (1996) "Will the Internet Revolutionize Business Education and Research?" *Sloan Management Review*. (Spring), 33-41.
- Kahn, Robert M. and Michael Sloan (1996) "Century Training," *Sales and Marketing Management*.
- Kipp, Deborah E. (1996) "Reflections of Teaching Graduate Students How to Use and Publish Nutrition Information on the World Wide Web," *Journal of Nutrition Education*. Volume 28, No. 6, 308-312.
- "On-line and Loving it," *Online Educator*. <http://www.ole.net/ole/1996/lessons/middle/lead.htm>
- Rosen, David J. (1996) "Learning to Ride the Wave of the Future," *Adult Learning*. (September/October), 15-24.
- Rudenstine, Neil L. (1997) "The Internet and Education: A Close Fit," *Chronicle of Higher Education*. (February 2)1, A48.
- Seguin, Armand and Cynthia Seguin (1995) "Window to the World," *Vocational Education*. (February), 30-33.
- Siegal, Carolyn F. (1996) "Using Computer Networks (intranet and Internet) to Enhance Your Students' Marketing Skills," *Journal of Marketing Education*. (Fall), 14-24.
- Skinner, David (1997) "Computers: Good for Education?" *The Public Interest*. (Summer), 98-109.
- Soloway, Elliot and Raven Wallace (1997) "Does the Internet Support Student Inquiry? Don't Ask," *Communications of the ACM*. Volume 40, No. 5 (May), 11-16.
- Stull, William A., Ken Bartkus, and Susan Richards (1996) "Using the World Wide Web: Applications for Marketing Educators," *Business Education Forum*. (April), 39-42.
- Technology and Learning* (1997) "Virtual Learning Gets Real," (February), 51.
- Wildstom, Stephen, H. (1997) "Readin' Writin' and the Internet," *Business Week*. (June 9), 18.

# Improving Student Learning In The Marketing Management Course

Hugh G. Daubek, Purdue University Calumet  
Lori S. Feldman, Purdue University Calumet

## ABSTRACT

*Simulation is an important tool for providing on-the-job training in the context of the classroom environment. We will describe the characteristics of a good simulation that allow integrative learning to take place. Additionally, we discuss a method for implementing simulation into a course so that student learning is maximized.*

## INTRODUCTION

"You gain strength, courage and confidence by every experience in which you really stop to look fear in the face. You are able to say to yourself, 'I lived through this horror. I can take the next thing that comes along.' You must do the thing you think you cannot do."

--Eleanor Roosevelt

Learning in a management classroom, as in any classroom, takes many forms. Our objective as business instructors is to prepare a new generation of decision-makers to guide the future of business. We are not there just to impart knowledge, but to teach a skill -- the skill of decision making in situations of uncertainty. This skill, like learning other new skills, is not a learning objective that can be accomplished by observation alone. It requires practice, coaching, and more practice so that the student can say 'I lived through this and I have confidence to handle the next experience'. It is best learned in a situation that fosters active learning. Learning management decision-making skills is like learning to dance (Stumpf and Dutton, 1990) or learning to play football. It is not adequate preparation to read the manual, read biographies of great football players, view game films, and be lectured regarding the principles of passing, tackling and running. Learning to play football requires repeated drills and practice scrimmage with coaching and evaluative feedback after the manuals are studied. Becoming a great football player, however, requires the application of learned skills and knowledge under conditions of risk and fast feedback; becoming a great manager requires the same application of learned skills and knowledge under conditions of risk and fast feedback. If we, as instructors, can provide this type of hands-on, close to "real world" experience in the

classroom, we can help students reduce those first job anxieties which occur in unfamiliar situations. We can provide an opportunity for students to look fear in the face in a safe and forgiving environment, so that they may be more confident and productive once they are actually on the job.

In this paper we review a variety of methods an instructor may use to teach the types of skills described above. We suggest that simulation offers the most possibilities for teaching these skills in a cost-effective setting (Pray, 1987). We will discuss the advantages of simulation to both the student and the instructor. We will also describe the characteristics of simulation which seems to offer a number of pedagogical advantages over other teaching methods. Finally, we discuss a method for implementing simulation into a course so that student learning is maximized.

## A HIERARCHY OF INSTRUCTION

Most people think of a hierarchy of instruction in terms of cognitive structure (Wolfe and Chacko, 1980) or some other stepwise learning (Bloom, 1956). The hierarchy of instruction this paper uses considers the way a course is taught and the tools used within the course. Our model of teaching strategies consists of five levels: 1) reading and regurgitation, 2) vicarious learning, 3) observation and reporting, 4) case based learning, and 5) interactive experience. Progressively the levels build on each other by adding realism, accountability, and feedback. The levels are inter-related in that basic knowledge is required before that knowledge can be applied.

Traditional marketing courses, as outlined in textbooks, instructor's manuals, and teachers guides,

focus primarily on the two "R's" of reading and regurgitation (spitting it back). Students read the book, come to class, listen to lecture, and take a multiple-choice test over the textbook concepts. Students take tests which require them to regurgitate those same facts and then frequently forget those same facts soon after. In this type of "learning" situation, students do not create a schema for the facts. They merely store them in short-term memory until they have gotten a passing grade. In the business world, good analytical decision making skills in situations of uncertainty are necessary for long-term financial and career success. Reading and regurgitation methods fall short in providing this critical skill. Vicarious learning is a step up from simple reading and regurgitation. Most commonly this involves the addition of videotapes that illustrate a multitude of marketing situations and careers to help the student relate the text to the real world. The next step is real-world observation and reporting. This type of learning involves active association with the object being studied. Beyond observation methods are case-based learning courses which bridge textbook learning to more hands-on application.

A major jump in learning occurs with an interactive experience in which the students implement the concepts they have learned in an environment which provides feedback and requires accountability. One vehicle for this learning is through project-based consulting courses. These courses have the drawback, however, of only being able to serve a limited number of students. One way to give this sort of experience to a greater number of students is through a marketing simulation.

### **BENEFITS OF SIMULATION TO STUDENTS**

Simulations are used for many reasons but most frequently they are used because of their versatility (Trippi, 1996). Simulations allow students to learn by tackling complex but meaningful problems. By successfully solving the problem, the students not only reflect on the problem but develop knowledge and skills that can be transferred to the workplace (Guzdial et al., 1996). Simulations have also been found to be effective because they give quick, concrete, and consistent feedback to the same decisions (Keys and Wolfe, 1990). Simulations accelerate learning the craft (in our case, the decision making process), they also accelerate learning and allow innovative problem solving because they allow years of decision making experience to take place in significantly shorter period of time such as a day, a week, or a semester (McAteer 1991, Peters and Homer 1996).

They allow individuals to try out different courses of action in a protected environment on an accelerated time scale without real financial risk (Rushby 1988). The learning experience students get from participating in a simulation reinforces the appropriate use of new terminology as well as providing an understanding of critical outcome measures and the decision making framework appropriate for a given discipline. This learning allows management students to become better inter-functional members of the management team (Maital and Morgan, 1988).

By gaining experience through the use of simulation, students arm themselves with a competitive advantage in the marketplace over students that have simply had textbook training. They also have this competitive advantage over students who had only vicarious, or observation, or even the written-case method of training. Students who are unable to get internships, or have other constraints on their lives which prevent them from getting meaningful employment (that which will relate to their professional career), have used our simulation on their resume as an example of their ability to translate traditional marketing concepts to market oriented results. This listing on the resume opens the opportunity to discuss their "experience" in an interview. Students have reported that the simulation offers a broad background of experiences that have impressed interviewers. The great advantage to simulation is that students can take risks and make mistakes in the relatively forgiving academic environment rather than in the "real-world" environment after graduation where the consequences can be more severe.

### **BENEFITS TO THE INSTRUCTOR**

Pedagogically, simulation offers a number of advantages to the instructor as well: students are more involved in the class (Moutinho, 1988), students are more motivated to spend the time developing their knowledge and skills toward building strategies and tactics and evaluating the results of their decisions. In other words, students take more responsibility for their own learning. The simulation can provide a focal point for the course so that students are able to look at the wide variety of topics that we cover and see how they all fit together in a decision making framework.

All of the benefits of a simulation, for the instructor, are sometimes overshadowed by the cumbersome implementation of the simulation program. Many simulations require students to play against other teams

in the course and when decisions are handed in on disks they become irrevocable. There is no chance to "redo" or "replay" bad in order to improve performance outcomes. While this sounds ideal in terms of mimicking the real world, we must remember that our objective as instructors is to help students learn. Sometimes students make a decision that places them (in terms of their results) at the bottom of the class - or of a functioning industry. In this situation it is difficult to learn when the course grade becomes the immediate focus. As mentioned earlier, a well designed and implemented simulation can allow students to look fear in the face with the anxiety of a real-world situation, while in a relatively forgiving environment, so that they not only learn but are ultimately better decision makers on the job.

### DESIRABLE CHARACTERISTICS OF A SIMULATION

In a typical simulation instructors must deal with the exchange and handling of disks in the running of the simulation. We believe a good simulation would reduce or eliminate computer and disk related risks. This could be accomplished by having student teams compete against simulated teams in the program. Additionally, students should be able to make all of their decisions and run the simulation on their own. The instructor should never need to handle a single computer disk. Additionally, students should be able view data and results on-line in a variety of ways (i.e., tables, graphs, trends, etc.). This is not typically possible when the instructor returns hard-copy output to the teams.

Second, a good simulation should provide for decisions with an opportunity to evaluate, revise, and learn from mistakes; that is, it should allow the use of "replays". Student teams should be able to run the simulation, assess their results and then back up and change their decisions and re-run the simulation if they are not happy with the results. This feature has a number of important benefits: it allows students to learn from mistakes, it increases their confidence, and it provides a way for them to understand how the marketing variables work in a given environment. Replay allows students to learn and apply concepts and to increase their "years" of experience in a given time period.

A third important characteristic for a good simulation is the ability to "promote" students. As in the corporate world, each promotion should carry with it access to more information and increased responsibilities. This would allow students to face their fear in smaller steps and to gain strength, courage and confidence with

each promotion.

Finally, a good simulation would provide a variety of environmental scenarios; this variety is not typically available with other simulations. The scenarios should vary in terms of a number of factors: the nature of the environment, the nature of the competitors, and the nature of the team's starting position. For the instructor this would have at least two benefits. First, the simulation may be matched to the class's skill level. For MBA level students a more challenging scenario could be used than is used at the undergraduate level. Second, the simulation could be varied over time. For schools where the course is taught each semester, this prevents students from simply talking to their friends and finding out what "works". Each semester they must "learn" anew the rules of the game.

PharmaSim (James, Kinnear, and Deighan, 1990) is one simulation that accomplishes the above objectives. PharmaSim is a marketing simulation which allows students to learn marketing decision making in the context of an over the counter division of a pharmaceutical company.

### USE OF THE SIMULATION

Our role as instructor in this learning process is analogous to that of a coach. Coaches help players learn from both the book and from their experiences. As we said earlier, it is insufficient to just read the play manual. Playing football and playing marketing manager requires both the play manual and repeated drills and practice with coaching. The authors have been using simulation in the Marketing Management course for six years and have found simulation to be a very effective learning tool and very beneficial to the students as a way to practice and drill the tactical marketing management decisions. Prior to this writing, we have integrated the PharmaSim simulation throughout the entire term. Based on student feedback and our own assessment of student needs and learning behavior, we have changed the course format to provide a better learning experience and a better use of the benefits of the simulation. We now cover the text portion of the course in the first half of the term and focus on the simulation in the last half of the term. Under the new syllabus the final examination is scheduled at the end of the text portion of the class. From that point on, they have no other assignments or exams to distract them from the simulation. Therefore, for about the last month of class, students focus solely on the simulation and the report and presentation on which they are graded.



Under the scenario where the simulation operated throughout the semester as well as under the current scenario where the simulation is at the end of the term only we require the students to complete eight years of decision making. They are to turn in their results on dates specified in the syllabus. We also specify that they may replay a given period as frequently as they like, until the point at which they turn in the simulation generated "administrator's report" to the instructor. This report is a summary of their decisions and results which can allow assessment of progress to date. When they turn this administrator report in, they may no longer replay that particular period. As further integration, on the days that these reports are handed in, we discuss strategy, tactics, and outcomes and display team results. It is an opportune time to answer questions and to reinforce concepts that were discussed in lecture, that they have now "discovered" during the course of the simulation.

Previously a number of lab sessions were scheduled during regularly scheduled class times throughout the semester. In the current scenario, all lab sessions are scheduled at the end of the term. In both scenarios, these sessions are held in a small private computer lab and are not structured around any lecture material. These times allow the students to work on the simulation in class while having access to free "consulting". The consulting gives them instantaneous feedback the way a coach would after watching a particular skill drill.

The advantage of the procedures outlined under the new scenario is that we better follow the learning pyramid outlined earlier in this paper. The first portion of the course incorporates reading and regurgitation, vicarious learning, and observation and reporting. Then when students have the skills and knowledge to make tactical and strategic marketing decisions, we move to the

upper portion of the learning pyramid. It is at this point, at the end of the semester, that students use case and interactive methods of learning through the simulation.

## CONCLUSION

Simulation is an important tool for the business instructor. It is a method for providing on-the-job training in the context of the classroom environment. It has important benefits for both student and instructor in terms of integrating the course concepts into a coherent schema instead of a collection of seemingly random and unrelated facts. Good simulations are realistic representations of on the job situations in which learned skills can be transferred to the workplace. They mimic the nature, variety, and complexity of decisions that managers face every day.

In this paper we suggest alternatives for the timing of the simulation within the marketing management course. Based on our prior experience, we believe that placing the simulation at the end of the course better meets both student and instructor learning objectives. When confronted with the reality of the simulation, students typically react with terror. They are being put in an unfamiliar situation, with little knowledge, and are being asked to produce -- a situation analogous to a first job. Unlike a real world job setting, however, the risks of poor performance are minimal. Students do not risk the loss of a job as they would in the real world -- they merely risk a little lowering of their grade and grade point average. The simulation allows the student to, as Mrs. Roosevelt suggests, "do the thing you think you can not do". At the end of the semester students can look back and say, "I lived through this challenge. I can take the next thing that comes along." From that perspective students realize their ability to overcome their fear, face the difficult situation and become the conqueror.

---

## REFERENCES

- Bloom, Benjamin, (1956), A Taxonomy of Educational Objective in the Cognitive Domain, New York: David McKay Company, Inc.
- Guzdial, M, J. Kolodner, C. Hmelo, H. Narayanan, et al (1996), "Computer Support for Learning through Complex Problem Solving," *Communications of the ACM*, 39:4, p. 43-45.
- James, Stuart W., Thomas C. Kinnear, and Michael Deighan, (1990), PharmaSim: A Brand Management Simulation, Charlottesville, VA: Interpretive Software, Inc.
- Keys, Bernard and Joseph Wolfe, (1990), "The Role of Management Games and Simulations in Education and Research," *Journal of Management*, 16:2, p. 307-336.
- Maital, Shlomo and Kim Morgan (1988), "Playing at Management," *Across the Board*, 25:4, p. 54-62.
- McAteer, Peter F., (1991), "Simulations: Learning Tools for the 1990s," *Training and Development*, 10:44, p. 19-22.
- Moutinho, Luiz (1988), "Learning/Teaching Effectiveness of Marketing Simulation Games," *Quarterly Review of Marketing*, 13:2, p. 10-14.
- Peters, Lee A. and John Homer, (1996), "Learning to Lead, to Create Quality, to Influence Change in Projects," *Project Management Journal*, 27:1, p. 5-11.
- Pray, Thomas F. (1987), "Management Training: It's All in the Game," *Personnel Administrator*, 32:10, p. 68-72.
- Rushby, Nick, (1988), "A New Perspective on Business Games," *Personnel Management*, 20:6, p. 61.
- Stumpf, Stephen A. and Jane E. Dutton, (1990), "The Dynamics of Learning Through Management Simulations: Let's Dance," *Journal of Management Development*, 9:2, p. 7-15.
- Trippi, Robert R. (1996), "The AIM Game: Learning Investment Management Principles Through Monte Carlo Simulation," *Interfaces*, 26:3, p. 66-76.
- Wolfe, Joseph and Tomas I. Chaco (1980), "Cognitive Structures of Business Game Players," *Simulations and Games*, 11, p. 461-476.

# The Sentiments toward Marketing of Business Students: A Comparison and Benchmark for Marketing Educators

*Douglas K. Ross, Franklin University*  
*Steven R. Ash, Franklin University*  
*Joe B. Hanna, Western Illinois University*  
*William B. Smith, Flagler College*

---

## ABSTRACT

This paper examines the need for a new benchmark which measures students' attitudes toward the field of marketing. Surveys were distributed to students attending universities in three states. Mean attitude scores for students were more positive than the general population. Significant differences in attitudes were found for class standing, and marginally significant for ethnicity. Additionally, results indicate that there were no differences between non-business vs. business, and marketing vs. non-marketing business students.

---

## INTRODUCTION

It seems important to know whether the increase in education influences university students' sentiments toward the field of marketing when compared to the general population. This paper deals directly with the following question, "How does marketing education impact consumer attitudes toward the field of marketing?" In academia, we often pride ourselves on the fact that we impart both theoretical and practical knowledge. On one hand education is believed to instill in people the ability to be skeptical inquirers, pulling from multiple perspectives and information sources. On the other hand, one would expect an individual to develop increasingly positive feelings toward one's chosen occupation as the amount of time invested, as well as knowledge increased. An understanding of the influence of education, and more specifically, knowledge about the concepts and theories of marketing might be expected to influence one's opinion about marketing in general.

This study has three major purposes. First, this paper will provide a benchmark for Marketing Educators as to the attitudes of, and differences between, non-business, business, and marketing students. This benchmark can be used to modify, if necessary, the teaching approach by marketing educators for courses aimed at marketing majors at both the introductory and advanced levels. Second, to determine if university students' sentiments toward marketing are similar to, or different from, the general population's sentiments toward marketing. The third purpose is to investigate whether or not there are any differences between gender

and also between ethnic groups in attitudes toward marketing. Today, 60 percent of women over the age of 18 work outside of the home making this an important marketing segment with substantial spending power (Wells and Prensky 1996). It would be important to determine if there are differences in attitudes toward marketing between gender at the college level. Additionally, ethnic groups are also significant segments in the marketplace. The importance of ethnic marketing is supported by Rickard and Whalen (1995) who report that ethnic minorities generate an annual buying power of approximately \$600 billion. Marketing educators must prepare students for understanding the impact and importance of ethnic marketing.

With these three areas as a basis, the following propositions will be explored.

- Proposition 1: College students will have a more positive attitude toward marketing than will the general population.
- Proposition 2: Business college students will have a more positive attitude toward marketing than will the non-business students.
- Proposition 3: Marketing majors within a business college will have a more positive attitude toward marketing than will the other business students.
- Proposition 4: There will be a difference in attitudes toward marketing between freshman, sophomore, junior, and senior classes.
- Proposition 5: There will be no differences in attitudes toward marketing between male and female college students.

- Proposition 6: There will be a difference in attitudes toward marketing by different ethnic groups.

### REVIEW

There have been a number of studies that have measured consumer attitudes and/or satisfaction with business in general (Barksdale and Darden 1972; Hustad and Pessemier 1973; Lundstrom and Lamont 1976) and with manufacturers (Barksdale and Darden 1972; Barksdale, Darden and Perreault 1976; Barksdale and Perreault 1980). However, these studies did not examine marketing exclusively. Gaski and Etzel (1986) developed the index of consumer sentiments toward marketing for a continuous monitoring and measurement of public perception and satisfaction with the marketing establishment. The index of consumer sentiment toward marketing is an aggregate measure of national consumer sentiment toward marketing practice. Presented in the original article were four related reasons for the development of an index instrument:

- it may sensitize marketers to consumers' perceptions
- it would serve to identify the nature of the public relations task ( and possibly more fundamental tasks)
- it should assist in gauging whatever progress is or is not being made
- it may even make a positive contribution toward marketing's public image by demonstrating that marketing cares about the public enough to ask for its opinion (Gaski and Etzel 1986, p.72)

All of these aspects are applicable to the marketing segment of student consumers. Thus far, no index has been used to examine student attitudes toward marketing. This market, generally considered "Generation X" is large, has a disposable income, and is business/marketing savvy. Generation Xer's have an annual spending power of nearly \$125 billion (Soloman and Stuart, 1997). The segment of consumers between the ages of 20 - 29 consists of approximately 46 million individuals, who because of their size and spending power is a major force now, and will be in the years to come (Herbig, Koehler, and Day 1993).

### METHOD

#### Survey Instrument

Each subject was administered the sentiments toward marketing questionnaire developed by Gaski and Etzel (1986). This instrument contains four major elements of the marketing practice. The four categories correspond roughly with the four elements of the marketing mix as they impact consumers. The scale

developed by Gaski and Etzel has shown relatively high levels of validity, with alpha coefficients ranging from .760 to .819 (1986). The mean scores for all respondents are calculated and converted to an overall index number representing a measure of general consumer sentiment.

Gaski and Etzel (1986) in their original study found an aggregate consumer attitude toward marketing of -14.8473 indicating a slightly unfavorable sentiment (total range: -200 to +200). Also, there was a significant difference between genders with women having a mean attitude score of -12.3588 and men at -17.7114. The difference was hypothesized to be due to the greater participation levels of men in the purchase of high ticket items versus low levels of participation in low priced purchases (Davis 1970; Davis and Rigaux 1974). Of interest is that while there is a significant difference, both are still negative, a reflection of general negative feelings toward marketing by the general public. Gaski and Etzel reveal that the sentiments toward marketing have not changed much since their original 1986 article (personal communication). The average has continuously stayed within the -14 to -11 range with the exception being the last two years when the averages have been -10.3 and -8 respectively. Whether or not this is a trend in sentiments of marketing has yet to be determined.

#### Subjects

A total of 271 subjects were used from various business classes in regional universities. Three universities participated in the study, two in the Midwest, and one in the Southeast. The two Midwestern schools were different in regards to student population. One school was in an urban environment in a large capital city, the students there were largely working adults. The other Midwestern school was in another state in a very small town in a rural environment. The Southeastern school was a suburb of a large metropolitan city. Subject numbered 78 from the urban Midwest school, while 73 were from the rural Midwest school, and 120 were from the Southeastern suburb school. Looking at the entire subject population, 160 were male, and 111 were female. The mode for age category was 20-29 (out of 6 possible age category choices).

#### Procedure

Questionnaires were administered to students in classrooms selected by the authors. The subjects were asked if they were willing to participate in a research project at the start of a class. None of the subjects were

Source	DF	Sum of Squares	F Ratio	Prob>F
Gender	1	26.30452	2.6897	0.1022
Class	3	118.90668	4.0528	0.0077
College	1	0.64957	0.0664	0.7968
Ethnicity	4	87.64053	2.2404	0.0651

Table 1. Overall test of variables

College	Number	Mean	Std Error
Business	147	-0.61224	0.25212
Non-Business	39	-0.49359	0.48948

Table 2. Means of student attitudes in different colleges

unwilling to participate, thus nonresponses in this study are limited to incompletely filling out questionnaire. Subjects answered each question individually and the surveys were collected prior to the commencement of class.

## RESULTS

In order to examine the original propositions, various tests were conducted. Linear regression was conducted on the data to identify significant contributors toward sentiments toward marketing. Of the four variables entered into the model, only class standing was significant at the .05 level. This indicates that there is a significant difference between freshman, sophomores, juniors, and seniors relative to their sentiments toward marketing. The results of that regression analysis are displayed in Table 1. Note that the variable ethnicity is marginally significant at  $p = .0651$ .

P1: Due to the results of education and critical thinking skills, it was expected that increased knowledge of marketing would influence attitudes toward marketing. The overall sentiment mean for this study was  $-.57103$ . This should be compared to the  $-14.8473$  for the general population found in the Gaski and Etzel (1986) research. Post-secondary education appears to be a contributing factor in sentiments toward marketing. It has been generally agreed upon that the younger consumers are more informed than were their counterparts in the past. Soloman (1996) points out that marketers are finding the Generation X segment to be more sophisticated about product evaluation primarily due to the fact that many have been responsible for the family shopping. It appears that when this segment increases their overall educational level significant increases in sentiments toward marketing occurs.

P2: It was expected that at the college level, those students exposed to the general concepts of marketing would view the subject much more favorably than students studying in other fields. This proposition was not supported. The overall probability of .7968 indicates that there is not a more positive attitude toward marketing by business students than non-business students. The means of the two groups were extremely close and were both negative. The means for each are shown in table 2.

P3: Within the colleges of business, the marketing students, owing to their greater insight and concentrated knowledge of that field, were expected to look more favorably upon marketing. This test could not be performed using the overall regression, therefore a separate one-way ANOVA was performed on the business students by major. Tables 3 and 4 show the results of this test. Unfortunately, proposition 3 was not supported. Marketing majors were slightly less negative ( $-0.49359$ ) than other business majors ( $-0.61224$ ) but the difference was not significant. This finding should be distressing to marketing educators and provoke many questions. Although this study does not address research into why no difference was found, questions generated from this proposition are included in the discussion section.

P4: With experience in education, as understanding of issues grows, it was expected that differences would be manifest between the levels of knowledge, as represented by class standing. A significant difference was found by class ( $p = .0077$  in the overall test). Interestingly, freshmen were the most favorable in their attitudes. Perhaps we are seeing the influence of high-tech consumerism where the younger students are better informed not only from conventional

Source	DF	Sum of Squares	Mean Square	F Ratio
Model	1	0.4340	0.43395	0.0464
Error	184	1719.3339	9.34421	Prob>F
C Total	185	1719.7678	9.29604	0.8296

Table 3. Marketing majors compared with all other business majors

Major	Mean	Std Dev	Std Err Mean
Management	-0.45349	3.67879	0.56101
Marketing	-0.49359	2.68860	0.43052
Finance	0.28571	3.07105	0.82077
Accounting	-1.33696	3.94033	0.82162
MIS	-1.72727	2.76915	0.83493
General Bus.	-0.37766	2.33177	0.34012
Undecided Bus.	-0.77778	2.35334	0.78445

Table 4. Means of all business majors

Source	DF	Sum of Squares	Mean Square	F Ratio
Model	3	118.6261	39.5420	3.9566
Error	266	2658.3889	9.9939	Prob>F
C Total	269	2777.0150	10.3235	0.0087

Table 5. Analysis of differences between classes

promotional material, but also from newer sources such as the internet. We may also be seeing the impact from the changes in living arrangements where young people have had to take on the responsibility of purchasing many items, especially grocery items, for a family where both parents work full-time or for a single parent household. It is estimated that currently teenagers spend \$33.5 billion on family grocery shopping each year (Pride and Ferrell 1997). The results of an ANOVA performed on class standing was performed to explore the differences shown in the overall model. Tables 5 and 6 illustrate the results of that ANOVA.

P5: Education was expected to lessen attitudes toward traditional divisions between genders (e.g., the male goes out to work, and the female does the shopping and cooking). An interesting finding of this study is that there was not a significant difference between gender ( $p = .1022$ ) as was found with Gaski and Etzel's study (1986). In their ongoing study of consumer sentiment, Gaski and Etzel report that gender has shown, and still shows a significant difference in sentiment (personal communication). The reason that male students are not significantly more negative than female students may be explained by the fact that college males may not have made many high ticket purchases in relation to the males of the general population. However, as this segment matures we may not see this general gender difference

continue. Women who achieve a college degree may purchase big-ticket items independently more than their older counterparts and/or may take a more active part in this type of purchase decision in a family setting.

P6: Ethnic differences are increasingly important to businesses, and differences in consumer behavior patterns have been observed (Edmonson, 1987). It was expected that there would be different attitudes toward marketing between ethnicities. The finding of a moderately significant difference in the overall model ( $p = .0651$ ) in sentiments toward marketing based on ethnicity is also of interest. Examining the mean index score of each ethnic group provides further insight. Those individuals who self-identified themselves belonging to the "other" category (not belonging to one of the major ethnic groups) were the only ones whose group mean index score was positive at .17857. Hispanics and Anglos were the next two groups who had the least negative attitudes at -0.3750 and -0.45306 respectively. African-Americans followed these two groups with an index mean of -1.3125. The most negative ethnic group was Asian-Americans whose index mean was -3.40625. In marketing education it will be increasingly important to bring ethnicity into the classroom given the prediction that by the year 2000 nearly 50 percent of all elementary school children in the U.S. will belong to an ethnic minority and 44 percent of all U.S. residents under 20

Class	Number	Mean	Std Error
Fresh.	19	1.17105	0.72526
Soph.	40	0.17500	0.49985
Jun.	140	-1.09107	0.26718
Sen.	71	-0.46127	0.37518

Table 6. Means for each class

Ethnicity	Num	Mean	Std Error
Anglo/Caucasian	229	-0.45306	0.2103
African-American	12	-1.31250	0.9187
Hispanic/Mex. Amer.	6	-0.37500	1.2992
Asian American	8	-3.40625	1.1251
Other	14	0.17857	0.8505

Table 7. Mean scores by ethnicity

years of age will be nonwhite (U.S. Department of Commerce 1993). More emphasis is needed in this area immediately, especially in regards to African-Americans and Asian-Americans, given their more negative attitudes in relation to the other groups.

### *Limitations*

Students from universities in three states completed surveys to determine an overall sentiment toward marketing. Even though the study was based on 271 useable surveys, a major limitation of this study is the number of respondents in some of the categories. Every effort was made to obtain a large and unbiased sample. However, only nineteen freshmen responded and there were only six Hispanic respondents. The overall ethnic breakdown was also skewed toward Anglos as they numbered 229 of the 269 total respondents who responded to this questionnaire item.

### *Future Research*

What the study has shown is that students attending an institution of higher education have a less negative attitude toward marketing than the general population. More research is needed to further investigate and understand this discrepancy. Another result of the study was that there is no significant difference between non-business and business students. Perhaps more importantly, there is no difference between marketing majors and other business majors in sentiment, generating the following questions for Marketing Educators.

- Are college educators imparting the knowledge of marketing in such a way that these students are more

receptive to marketing and hence have a slightly less negative attitude toward marketing than the general population?

- Why then is there not a difference in marketing students? If overall knowledge results in a more positive attitude it would be expected that marketing students would feel very positive toward marketing - after all they are majoring in the subject.
- Are marketing educators less than enthusiastic about the knowledge that they are teaching the marketing students? Is this one of the factors in a negative index number for marketing students?
- Are Marketing Educators doing such a good job that marketing students are more critical of the marketing efforts in the marketplace due to their increased knowledge? Would this negate the enthusiasm from the classroom which would be responsible for the drop in their index score to the equivalent of other college students?
- Should student sentiments be higher? If so, what can marketing educators do to increase marketing student's sentiments toward marketing?
- Does the difference in sentiment by ethnicity found in this study carry-over to the general population? The answers to all of the above questions would be of interest to, and benefit marketing educators. With a benchmark in place, we can begin to answer these questions.

---

## REFERENCES

- Barksdale, Hiram C. and William R. Darden (1972), "Consumer Attitudes toward Marketing and Consumerism," *Journal of Marketing*, 36 (October), 28-35.
- Barksdale, Hiram C., William R. Darden, and William D. Perreault, Jr. (1976), "Changes in Consumer Attitudes toward Marketing, Consumerism, and Government Regulation: 1971-1975," *The Journal of Consumer Affairs*, 10 (Winter), 117-139.
- Barksdale, Hiram C. and William D. Perreault, Jr. (1980), "Can Consumers Be Satisfied?," *MSU Business Topics*, 28 (Spring), 19-30.
- Davis, Harry L. (1970), "Dimensions of Marital Roles in Consumer Decision Making," *Journal of Marketing Research*, 7 (May), 168-177.
- Davis, Harry L. and Benny P. Rigaux (1974), "Perception of Marital Roles in Decision Processes," *Journal of Consumer Research*, 1 (June), 51-62.
- Edmonson, Brad (1987). Black Markets. *American Demographics*, (Nov), 20.
- Gaski, John F. and Michael J. Etzel (1986), "The Index of Consumer Sentiment Toward Marketing," *Journal of Marketing*, 50 (July), 71-81.
- Herbig, Paul, William Koehler, and Ken Day (1993). Marketing to baby bust generation. *Journal of Consumer Marketing*, 10, 1, 4-9.
- Hustad, Thomas P. And Edgar A. Pessemier (1973), "Will the Real Consumer Activist Please Stand Up: An Examination of Consumers' Opinions about Marketing Practices," *Journal of Marketing Research*, 10 (August), 319-324.
- Lundstrom, William J. and Lawrence M. Lamont (1976), "The Development of a Scale to Measure Consumer Discontent," *Journal of Marketing Research*, 13 (November), 373-381.
- Pride, William M. and O.C. Ferrell (1997). *Marketing*, tenth edition, Houghton Mifflin Company: Boston, MA.
- Richard, Leah and Jeanne Whalen (1995), "Retail Trails Ethnic Changes," *Advertising Age*, (May 1), 24.
- Soloman, Michael R. (1996), *Consumer Behavior*, tenth edition, Prentice-Hall, Inc., Upper Saddle River, NJ.
- Soloman, Michael R. and Elnora W. Stuart (1997), *Marketing: Real People, Real Choices*, Prentice-Hall, Inc., Upper Saddle River, NJ.
- U.S. Department of Commerce, Bureau of the Census, *Current Population Reports, Population Projections of the United States by Age, Sex, Race, and Hispanic Origin: 1993-2050* (November 1993): p.25-1104.
- Wells, William D. and David Prenskey (1996), *Consumer Behavior*, John Wiley & Sons, Inc., New York: NY.



# Service Response Logistics in Services Marketing

*David J. Bloomberg, Western Illinois University*

*Joe B. Hanna, Western Illinois University*

*Mandeep Singh, Western Illinois University*

---

## ABSTRACT

Many agree the "place" variable of the marketing mix has not received sufficient attention when examining service-related issues. While vast amounts of research has been conducted in the areas of integrated logistics and supply chain management, few academicians or practitioners have attempted to address the importance of integrated logistics activities from a service perspective. The current research attempts to examine a method for the application of service response logistics in services marketing.

Services are dissimilar from physical goods in four key areas. Research indicates that these distinctions are significant and warrant separate handling. In services marketing, researchers have identified four differentiating characteristics, namely intangibility, inseparability, heterogeneity (non-standardization), and perishability.

SRL has three (3) primary activities; managing waiting time, managing service capacity, and providing service delivery. Managing waiting time refers to methods used to reduce the time customers must wait to consume the service being provided. (This is the equivalent to the reduction of the order cycle time in the flow of goods.) Service capacity is defined as the managing, scheduling, and staffing of people and services so the SRL network is able to meet customer demands. (This is like managing inventory in goods-producing firms.) Service delivery is the ability to manage various distribution channels to ensure the timely delivery of services to the customer.

Having discussed the three SRL activities, the researchers propose a nine step process for how to effectively implement each of the three activities. The steps include: establishing discussions with customers, determining what the customer wants, determining if the firm can deliver the customer's needs, committing to the customer, evaluating the customer's response, scheduling

the customer's service delivery, informing the delivery partners about the delivery schedule, monitoring the service delivery process, and counsel the partners. In order for this model to be effectively implemented the service organization must empower them to respond to the individual needs of the customer.

The research also examines typical intermediaries for service response logistics providers. Typical intermediaries include agents, retailers, wholesalers, franchisees, and electronic channels. Service response intermediaries can be used to perform many functions including: adding efficiency in delivery of services due to specialization, sorting out, accumulating, allocating, and categorizing services, standardizing service transactions, matching buyers and sellers of services and providing technical support, education, delivery, and transportation.

Most business encounters traditionally contain a component of both goods and service delivery. However, traditional logistics research and applications have often focused on goods delivery which is handled through the physical flow of goods. Conversely, this research examines the application of logistics in a service market environment.

The current research attempts to provide a link in the integration process by exploring the possibility of developing an adapted logistics model that augments the traditional integrated logistics model by adding a service response logistics component. The three critical and interrelated service response logistics activities are explored in-depth, followed by a discussion of how to implement the activities in a business situation. Since, different business situations can warrant applying a service response logistics model differently depending on the situation the impact of different potential intermediaries are examined.

---

David J. Bloomberg, Joe B. Hanna and Mandeep Singh, Stipes Hall #430, 1 University Circle, Macomb, IL 61455

# PERCEPTIONS OF UNDERINSURANCE IN THE HEALTH CARE INDUSTRY

*Alan J. Brokaw, Michigan Technological University  
Patrick Joyce, Michigan Technological University*

---

## ABSTRACT

*The study took place in Houghton County in Michigan's Upper Peninsula and was funded by the Upper Peninsula Rural Health Project. Two measures of underinsurance were used, and the results indicate that between 23.2% and 34.5% of the households perceive that they are underinsured. Perceived underinsurance has marketing implications. For example, if households are adequately insured by are inadequately informed about their insurance coverage, then the marketing challenge is to communicate more clearly.*

---

## INTRODUCTION

Kotler and Clarke (1987) call for organizations in the health care industry to be more responsive to the needs of customers. In order to do this, barriers to access to health care need to be understood. One of the most important potential barriers is lack of adequate health insurance.

The Upper Peninsula Rural Health Project (UPRHP), funded by the W. K. Kellogg Foundation with matching funds from sponsoring organizations in the state of Michigan, is charged with the task of assessing health status, determining health priorities, and implementing remedies for the Upper Peninsula's (UP) health care problems. As a part of this project, an analysis of the health insurance status of the UP's population, especially the level of underinsurance, was required. From a public policy standpoint, knowledge about the level of perceived underinsurance is important in developing legislation and regulations, including potential changes in Medicare and Medicaid, and communicating these to the public. Although perceptions in northern Michigan may not be representative of national concerns, the results can be used to guide studies with a larger geographic scope.

Existing data on insurance coverage generally are gathered from health care providers. Limitations on the usefulness of these data occur since providers usually only indicate whether the patient "has coverage," not the extent to which expenses will be covered by the insurance plan. The objective of this study is to identify the insurance status of the households in a northern Michigan county, in particular the degree of

underinsurance. Underinsurance refers to a circumstance where there is a complete lack of coverage or the burden of out-of-pocket expenses with regard to family income is excessive. This is measured from the standpoint of the individuals themselves as the extent to which they perceive their insurance coverage as being adequate to financially insulate them from a catastrophic medical event.

## METHODOLOGY

The study plan included three focus groups and a telephone survey which would contact at least 200 households. One focus group consisted of senior citizens; the second was made up of self-employed people, and the third included young people. There were two main purposes for the focus groups. The first was to find out more about the health care concerns of people. The second was to help in designing the telephone survey. The final version of the telephone questionnaire is shown in Appendix A.

The telephone surveys were conducted during the week of January 13, 1997. Advance publicity was given to the project by the local media. A systematic sample was drawn using the telephone directory as the sampling frame, and a three call-back procedure was used.

A total of 270 households were called. Of these, 66 could not be contacted,<sup>1</sup> even after three call backs. The 204 households actually contacted resulted in a contact rate of 75.5%. Of the 204 households which were contacted, 32 refused to respond to the survey, for a

response rate of 84.3% (172/204).<sup>1</sup>

### MEASURING UNDERINSURANCE

Bashshur, Smith, and Stiles (1993) said that underinsurance reflects a situation where the consequences of having less than full health insurance coverage are so burdensome to the insured that they offset the desired benefits of limiting the scope of insurance. Conditions where this is likely to occur are when: (a) too few services are covered or the coverage is inadequate, (b) the amounts of out-of-pocket expenditures, with or without regard to family income, are excessive, or (c) insurance is perceived to be inadequate. More specifically, Short and Banthin (1993) defined underinsurance as existing if a catastrophic illness would result in out of pocket expenses in one year (after third party payments) in excess of 10% of the household's income. Question #4 in the questionnaire (Appendix A) is identical to the question used by Short and Banthin.

Short and Banthin had access to data which were developed from four rounds of personal and telephone interviews of households over a four month period and from surveys of the households' insurance carriers. In other words, Short and Banthin were able to obtain actual income and insurance coverage information. Resource constraints in the current study prevented this approach. Instead, respondents were asked for their perceptions of underinsurance.

Because the current study would rely on a single telephone contact, a critical issue was how to ask about underinsurance. For example, question #4 could have been asked in two parts. The first part could have asked for respondents' estimated out of pocket cost from a catastrophic (\$25,000) illness; the second part could have asked for annual household income. Such an income question would likely result in high non-response rates. Therefore, the question was asked as shown in Appendix A. Even though the interviewers were instructed to make sure that respondents understood the question before proceeding, the complex nature of the question may have

---

<sup>1</sup> Comparisons were made of the sample data with published data for the county studied (e.g., age distribution, unemployment rates, marital status, and number of people per household). Based on these comparisons, the sample is representative of the county's households. These comparisons were not included in this paper but are available from the authors.

resulted in significant response errors, a topic which will be returned to later.

Another measure of underinsurance, which differs from the method used by Short and Banthin but is in keeping with the definition given by Bashshur et al., is whether or not lack of insurance coverage prevents people from seeking medical help. This is what is asked in question #3 in the questionnaire.

### RESULTS

The frequency distributions for all of the variables are given in Appendix A. They show that most respondents (51.2%) thought that there were no significant problems with access to health care. The problems that respondents cited most frequently were costs (25.9%) and insurance (14.7%). Most of the respondents (51.5%) had insurance through an employer; 33.7% of the respondents used Medicare, frequently with a "medigap" policy (11.8%). Almost 10% of the respondents had no insurance.

Because most respondents had some type of insurance, it is not surprising that most said that a lack of insurance "never" (72.0%) or "almost never" (4.8%) discouraged them or members of their households from seeking medical help. However, 13.1% of the respondents said that a lack of insurance would "frequently" discourage them from seeking medical help; 10.1% said that they were "sometimes" discouraged.

The 23.2% (13.1 + 10.1) of the respondents who said that lack of insurance discouraged them from seeking medical help could be viewed as one estimate of the degree of underinsurance in the county. These are the households that are most likely to change their decisions about seeking medical help based on their perceptions of their ability to pay.

Question #4 in the questionnaire was specifically designed to measure the level of underinsurance, following the definition used by Short and Banthin. The results from that question show a higher level of perceived underinsurance. 20.2% of the respondents who answered the question said "yes, definitely" that a \$25,000 illness would result in out of pocket costs which would exceed 10% of their household's income. 14.3% of those responding to the question said that such costs "probably would" result in out of pocket costs in excess of 10% of their household's income. Therefore, based on the Short and Banthin definition of underinsurance, 34.5% (20.2 + 14.3) of the sample perceived their

households as being underinsured.

There are at least two potential sources of response error in this estimate of 34.5%. In this case, although question #4 was worded as simply as possible, it was still a rather complex question and may not have been well understood by all respondents. In addition, even if the respondents understood the question completely, they may not be easily able to estimate what out of pocket costs would be and accurately compare that to 10% of their household income.<sup>2</sup> Along these lines, it is worthwhile to point out that 25.6% of the respondents said "don't know" in response to question #4.

These levels of underinsurance appear to be similar to those reported in national studies. For example, Farley (1985) reported that over a quarter of the non-elderly population was inadequately protected against the possibility of large medical bills. However, Short and Banthin (1995) reported "only" an 18.9% underinsurance rate for a national sample of people younger than 65, based on data collected in 1987. However, it should be stressed that the Short and Banthin study measured actual levels of underinsurance rather than the perception of underinsurance. In addition, the Upper Peninsula of Michigan tends to be a low income area, which would be likely to result in higher levels of underinsurance in comparison to national statistics.

The relationships between perceived underinsurance and other variables in the study were analyzed. Not surprisingly, the results indicated that those who perceive that their households have underinsurance problems are more likely to also see problems with access to health care. In addition, those with insurance either through an employer or Medicare, especially if a medigap policy is purchased, are less likely to perceive an underinsurance problem. Those that perceive their households are adequately insured also tend to be married. Finally, seniors are more likely than others to seek medical help, even though they may perceive that they have inadequate health insurance.<sup>2</sup>

### MARKETING ISSUES

There are at least two marketing issues which are suggested by this study. The first is the degree to which perceptions of underinsurance are accurate. There were

---

<sup>2</sup> The detailed cross tabulations are available from the authors, but are not included here because of space limitations.

some cases, for example, where the authors were almost certain that the respondent would be covered by Medicaid, but the respondent appeared not to realize that this was the case. Situations like this point out the need to educate people about what their true coverage is. A major difficulty with this is that the burden for education is dispersed, resting sometimes with an employer, sometimes with the government, and sometimes with a private insurer.

A second marketing issue is the problem of underinsurance itself. This issue has been, and is continuing to be, debated in national and local forums. What is adequate health insurance? Who should provide health insurance? What are the costs and who should pay? What role does marketing have to play in solving these issues?<sup>3</sup>

### CONCLUSIONS

Using question #3 to measure underinsurance, 23.2 percent of the households in the county are underinsured, with a 95% confidence interval of 16.8% to 29.6%. Using question #4, 34.5% of the households are underinsured, with a 95% confidence interval of 27.3% to 41.7%. The differences in these two estimates are likely caused by the differences in the wording of the two questions.

These estimates are based on the perceptions of the respondents and may differ from the actual values because of response error.<sup>4</sup> The differences between the two estimates and the possibility of response error demonstrate the difficulty of measuring need in this industry. Nonetheless, this study indicates that about one fifth of the households in the county believe that a lack of insurance coverage has prevented them from seeking needed medical help and that about one third perceive that their insurance is insufficient to cover a catastrophic illness.

If these results are generally true across the country, they show the size of the problem facing legislators and the health care industry as the debate concerning health coverage needs, especially for Medicare and Medicaid, continues. This debate should include the role for marketing in narrowing the gap between perception and reality in health insurance coverage as well as what marketing can do to minimize the underinsurance problem.

## REFERENCES

- Bashshur, Rashid, Dean G. Smith, and Renee A. Stiles (1993), "Defining Underinsurance: A Conceptual Framework for Policy and Empirical Analysis," *Medical Care Review*, (Summer), 199-217
- Farley, P. J (1985), "Who are the Underinsured?" *Milbank Memorial Fund Quarterly*, (Summer), 476-503
- Kotler, Philip and Roberta N. Clarke (1987), *Marketing for Health Care Organizations*, Prentice-Hall, Inc.
- Short, Pamela Farley and Jessica S. Banthin (1995), "New Estimates of the Underinsured Younger Than 65 Years," *Journal of the American Medical Association*, (October 25), 1302-1306

### Appendix A

#### What are the problems with access to health care?

	Frequency	Percent of Cases
None	87	51.2
Availability of doctors	14	8.2
Quality of hospitals	10	5.9
Quality of Clinics	6	3.5
Cost	44	25.9
Insurance	25	14.7
Transportation	14	8.2
Total	200	117.6

#### What type of health insurance do you have?

	Frequency	Percent of Cases
Insurance through employer	87	51.5
Purchased health insurance	22	13.0
Medicare	57	33.7
Purchased medigap	20	11.8
Medicaid	6	3.6
No insurance	16	9.5
Don't know insurance carrier	3	1.8
Total	211	124.9

NOTE: Under "Percent of Cases," the total is greater than 100% because respondents could choose more than one alternative

**Does lack of insurance discourage household from seeking medical help?**

	Frequency	Total Percent
Never	121	70.8
Almost never	8	4.7
Sometimes	17	9.9
Frequently	22	12.9
Total	168	98.2
Missing values	3	1.8
Total	171	100.0

**Would a \$25,000 medical bill result in out of pocket costs which exceeded 10% of household income?**

	Frequency	Total Percent
Yes, definitely	34	19.9
Probably would	24	14.0
Probably would not	23	13.5
Definitely would not	44	25.7
Don't know	43	25.1
Total	168	98.2
Missing Values	3	1.8
Total	171	100.0

**Gender of respondent**

	Frequency	Total Percent
Male	64	37.4
Female	103	60.2
Total	167	97.7
Missing values	4	2.3
Total	171	100.0

**Marital status**

	Frequency	Total Percent
Single	81	47.4
Married	85	49.7
Total	166	97.1
Missing values	5	2.9
Total	171	100.0

### Occupation of head of household

	Frequency	Total Percent
employed	81	47.4
self-employed	13	7.6
retired	59	34.5
currently unemployed	9	5.3
other	5	2.9
Total	167	97.7
Missing values	4	2.3
Total	171	100.0

### Number of people in household

	Frequency	Total Percent
1	53	31.0
2	60	35.1
3	25	14.6
4	12	7.0
5	8	4.7
6	5	2.9
7	1	.6
9	2	1.2
10	1	.6
13	1	.6
Total	168	98.2
Missing Values	3	1.8
Total	171	100.0

### Age of respondent

	Frequency	Total Percent
18 – 44	65	38.0
45 – 64	45	26.3
65 or older	58	33.9
Total	168	98.2
Missing Values	3	1.8
Total	171	100.0

<sup>1</sup> Contacts which resulted in “conversations” with answering machines were a major problem. It is, of course, unknown whether the respondents were really not home or using the answering machine to screen calls.

<sup>2</sup> The complexity of the underinsurance issue is one of the reasons why the authors had originally suggested a case approach to UPRHP. This would entail a series of personal interviews in selected Upper Peninsula communities. Of course, such an approach is resource intensive and therefore costly.

<sup>3</sup> We suspect that many policy makers view marketing as part of the problem, rather than part of the solution.

<sup>4</sup> Other sources of error are also possible. The most obvious one is non-response error which would be caused by the differences between the respondents and non-respondents (those who were called but could not be contacted or refused to respond).

## POSTER SESSION

# PATTERNS OF USE OF CYBER-MEDIA BY MANUFACTURING FIRMS

*Sarada V. Prasad, University of Wisconsin Washington County*

---

### ABSTRACT

---

Revolutionary changes in information technology over the past few years have presented major opportunities and challenges for businesses. World Wide Web, E-mail, Web pages and "chat groups" appear to be increasing in popularity as vehicles of communication internally with employees and externally with customers, potential customers, suppliers, investors and the general public. Intranets offer an unprecedented opportunity for collaboration among geographically far-flung users, a synergistic effect on their productivity, and enhancing the quality of decision making.

The present research study focused on the use of Internet and intranet technologies among manufacturing companies in a mid-western state. The objectives of the study were:

1. To determine the extent of use of World Wide Web and intranets by manufacturing firms.
2. To profile companies with websites in terms of their form of ownership, number of locations, size of their work force and magnitude of their annual sales and identify their reasons for having a website.

3. To profile companies using intranet in terms of their form of ownership, number of locations, size of their work force and magnitude of their annual sales.
4. To identify the specific modes of use of Internet and intranet technologies by manufacturing companies.
5. To understand the perceived barriers that inhibit use of Internet and intranet technologies by companies.

The results of the survey are presented and managerial implications are discussed in this paper.

---

Sarada V. Prasad, University of Wisconsin Washington County, 400 University Drive, West Bend, WI 53095



# THE EFFECT OF VARIOUS ADVERTISING MEDIUMS ON CONSUMERS OF DIFFERING GENERATIONS

*Robert L. Webster, Ouachita Baptist University*  
*Stephanie Weyenberg, Ouachita Baptist University*  
*Harry A. Harmon, Central Missouri State University*

---

## ABSTRACT

It has been suggested that differences may exist in how members of different generations respond to various advertising mediums. This pilot study tests if there is a difference in decision influence between generation "X" members and baby boom generation

members by several mediums for a variety of purchase decisions. Data collection methods, analytical analysis, and test results are reported. Additionally, suggestions for future research are made.

---

Robert L. Webster, Box 3689, Arkadelphia, AR 71998-0001, email: [websterb@alpha.obu.edu](mailto:websterb@alpha.obu.edu)

# BENEFITS OF COOPERATIVE ADVERTISING

Valerie J. Pisierra, *Universal Scientific Inc.*  
William B. McKinney, *Angelo State University*  
Sudhir K. Chawla, *Angelo State University*

---

## ABSTRACT

*Subjects in the national study experienced positive changes in economic factors tested, and agreed on the beneficial impact cooperative advertising has had. Overall the benefits of cooperative advertising were universal despite city/town size or location. To help attract tourist, it is suggested that small towns embrace cooperative advertising.*

---

## INTRODUCTION

Considered the nation's third-largest retail industry, travel and tourism generated an estimated \$467 billion expenditures in 1996 alone. This is according to the Travel Industry Association of America's (TIA) 1996 Travel Market Report. TIA has also estimated that U.S. resident travel volume (person-trips/million) will increase 3.6 percent in 1997 to 1.15 billion, and spending will jump 7.7 percent (TIA, 1997). With \$434 million allocated by states toward tourism promotion for fiscal year 1996-97 (TIA, 1996), advertising activities become a major concern for tourism planners around the United States. Cooperative advertising, the joint sponsorship of promotional programs (Crimmins, 1984, 1988, 1989; Roche and Cullen, 1996), can prove to be this industry's alternative to traditional advertising strategies.

The majority of the research on the subject of cooperative advertising was conducted during the 1980's, and mostly limited to manufacturer/retailer programs or what is known as *Vertical* co-op advertising (Blakkan, 1981, 1983; Crimmins, 1984, 1988, 1989; Everett, 1985). However, today cooperative advertising is being used in a variety of ways. The new emphasis on brand matching, or partnerships, reflects the use of *Horizontal* advertising. Here sponsorship involves business entities and/or organizations at the same level of a distribution (Crimmins, 1984, 1988, 1989; Young and Greyser, 1983). This form of co-op advertising is not new but has become popular in recent years with examples spanning a wide range of product categories (Buyikian, 1996; Elkin, 1995; Grace, 1995; Halliday, 1997; Johnson, 1997; Shannon, 1996). Although Buyikian (1996) and Harshorn (1997) provide examples of cooperative advertising in the travel and tourism industry, research on the effects of this form of advertising could not be found.

## PURPOSE OF THE STUDY

The purpose of this study was to explore the use of cooperative advertising in the travel and tourism industry and identify benefits and the perceived impact programs have had in the communities where they have been established. Questions to be answered included:

- (1) What is the make up of cooperative programs in today's travel and tourism industry?
- (2) How have the city/towns benefited from the use of these programs and what perceived impact have programs had in the area?
- (3) How does the program expenditure and city/town location effect the benefits and perceived impact of the programs?

The data analyzed were collected during a national study of 500 randomly selected city/towns. Participation was limited to cities/towns with populations between 3,000 and 200,000 residents, and 50 to 100 miles, or one day trip distance, from a major airport. The subjects supplied a variety of information relating to program details, expenditure figures, change in economic factors, perceived impact of programs, and general demographic information. The response rate on this mailed survey was 36.2 percent.

## RESULTS AND DISCUSSION

Since small outlying towns were targeted, it is not surprising to find that total tourism and advertising budgets among the city/towns surveyed were relatively small. The majority (55.2 %) reported total tourism budgets at \$100,000 or less, with the largest group (24.3 %) allocated between \$10,001 and \$70,000. Total

advertising budgets generally were \$50,000 or less as reported by 69.0 percent of those surveyed.

Results showed high levels of participation, with 73.1% currently involved in some form of cooperative advertising program, and an additional 7.7 % reporting plans for involvement. (These two groups make up the Co-op respondents used in the analyses of program factors.) However, it appears that most of the programs are relatively new, with the majority (57.7 %) having been involved for five years or less. The relative newness of the programs may indicate why advertising dollars allocated to co-op activities were moderate. Data shows for the most part 15% or less of advertising monies have been allocated for cooperative programs as reported by 57.9 % of Co-op subjects. Actual dollar amounts proved to be low, with more than 32% indicating that \$5,000 or less was available for co-op advertising. In addition, it was found that more than 52.0 % of the programs involved more than seven partners indicating a large span of involvement among the organizations in the areas.

Along with general program details, city/towns were asked to indicate the percentage change in several economic factors since the implementation of co-op programs in their area. It was found that all of the city/towns involved in a program have seen some type of positive change in the factors tested. For example, the number of tourist related inquiries on average has increased between 15.1% and 30%. However, how much of this change is a direct result of the use of cooperative advertising cannot be determined at this time with the available data. In addition, overall perceptions held by key managers in the tourism industry indicate that in the last 3 to 5 years cooperative advertising has had a positive effect in the area with respect to all of the economic factors tested. According to the results, managers agreed that the programs have been very effective in accomplishing the desired goals of the city/town.

City/towns with large co-op budgets (BIG spenders) and city/towns with small co-op budgets (SMALL spenders) were compared to determine whether differences in factors existed. Results showed no significant difference in the number of years involved and the number of partners in the programs between the two groups tested. However, BIG spenders did commit a significantly larger amount of money toward tourist magazines, tourist brochures, trade magazines, newspapers, and exhibits. These results may not be surprising since larger budgets allow for more money to be filtered toward the most popular forms of advertising.

As noted earlier, all city/towns experienced some type of positive change in the economic factors, and agreed on the positive impact the programs have had in the areas. When comparing both types of spenders, results found differences in the amount of increase proved to be insignificant. However, significant differences in the *degree of agreement* among the two groups were discovered for some factors. For example, BIG spenders showed a higher *degree of agreement* that tourism planning goals have been met, and tourists are persuaded to visit the area. Note that these results do not indicate a lack of agreement by the SMALL spenders, it only signifies a difference in the *degree of agreement* among the two groups.

Besides level of spending, the effects of location were also tested. Distances from the airport (AIRPORT) and distances from the interstate (INTERSTATE) were tested independently to determine whether significant difference existed between city/towns found at different distances. Analyses revealed a significant main effect for distance from the airport (AIRPORT) in two of the dependent variables: (1) Number of years involved in a co-op program, and (2) How strongly respondents agreed that new businesses have succeeded due to the impact of the co-op program. Subsequent analysis showed that subjects <25 miles from a major airport have been involved for significantly more years and display a significantly lower agreement concerning the success of new businesses than city/towns >50.1 miles from an airport. Again, differences signify a difference in the *degree of agreement* only. Based on scale direction, it can be concluded that all city/towns did agree. In addition, all main effects for INTERSTATE proved to be nonsignificant.

## CONCLUSION

This investigation has shown that all outlying city/towns can benefit from the use of a cooperative advertising program. Current participation levels were found to be high, with even more city/towns indicating future plans. It was also discovered that despite the size of the program budget, benefits could be realized. This also held true no matter where city/towns were found. Although differences among the groups tested did exist, many of these differences were based on the *degree of agreement* and did not diminish the fact that all the city/towns agreed on benefits and the positive impact these programs have had.

However, more extensive research in the field

of cooperative advertising is needed. Attention should be paid to specific aspects of the travel and tourism industry including both local and international travelers. Cooperative advertising has the power to combine local

and national products, services, and advertising monies. By embracing this type of strategy, city/towns can remain competitive in attracting new tourists to their areas.

---

## REFERENCES

- Blakkan, Rene (1981), "Partnership Perks Up Profits," *Advertising Age*, Vol. 52, No. 34, (August 17), p. m1.
- Blakkan, Renee (1983), "Savory Deals Tempt Hungry Retailers," *Advertising Age*, Vol. 54, No. 10, (March 7), p. m3.
- Buyikian, Teresa Ann (1996). "Telluride Ski Resort Selects Two Agencies for Airline Advertising Assignments". *Adweek (Western Advertising News)*, Vol. 46, No. 36, (September 2), p. 5.
- Crimmins, Ed (1984), *Cooperative Advertising*. New York, NY: Gene Wolfe & Co., Inc.
- Crimmins, Ed (1988), "Don't Just Meet Competition," *Sales and Marketing Management*, (May), p.67.
- Crimmins, Ed (1989), "Seizing The Initiative In Co-op," *Sales and Marketing Management*, (April), p.78.
- Elkin, Tobi (1995), "Satellite Industry Gears Up for Growth," *Dealerscope Merchandising*, Vol. 37, No. 9, (September), pp. 14-15.
- Everett, Martin (1985), "A Force In The Field," *Sales and Marketing Management*, (May 13), p. 82.
- Grace, Tim (1995), "Adaptive Has Eye on Resellers," *Computer Reseller News*, No. 662, (December 11), p. 129.
- Halliday, Jean (1997), "Carmakers Open Their Doors to Films," *Advertising Age*, Vol. 68, No.15, (April 14), p. 53.
- Hartshorn, Dana (1997), "The More The Merrier," Newsletter from Lake Mammoth Lakes Visitors Bureau. *Visitor Bureau Views*, (Spring)
- Johnson, Bradley, (1997), "IBM Moves Back to Intel Co-op Deal," *Advertising Age*, Vol. 68, No. 10, (March 10) p. 4.
- Roche, Jennifer and Brenda Cullen (1996), "Co-operative Advertising: Co-operation or Coercion?" *Irish Marketing Review-Dublin*, Vol. 9, pp. 79-86.
- Shannon, John (1996), "Highs and Lows of Collaboration," *Marketing Week*, Vol.19, No. 14, (June 28), p. 24.
- TIA Travel Industry Association of America (1996), *1996 Travel Market Report*, Washington, DC: U.S. Travel Data Center.
- TIA Travel Industry Association of America, (1997), *TravelFORECAST™*, Washington, DC, U.S. Travel Data Center
- Young, Robert F., and Stephen A. Greyser (1983), *Managing Cooperative Advertising: A Strategic Approach*, Lexington, Mass, Lexington Books

# RETHINKING MARKETING COMMUNICATIONS

*Kerrie Acheson, St. Cloud State University*

---

## **ABSTRACT**

The promotion P of the marketing mix has been the focus of much discussion and study recently. There has been debate about what elements belong in the promotional mix and how do we integrate marketing communications effectively. This paper shows how the promotional mix has evolved and the elements that have been added and subtracted. The author further suggests that the elements be taken out of the traditional pie chart and laid out on a continuum, ranging from activities that draw a very passive reaction from consumers to those that actively involve them.

This paper proposes a new approach to promotion that removes the barriers between the individual elements and concentrates on the activities of promotion. Each activity acts as a means of moving closer and closer to consumers, getting them increasingly and actively more involved. A continuum for integrating marketing communications is proposed that recognizes that choices are made along the way for both the consumer and the marketer.

---

Kerrie Acheson, St. Cloud State University, 1515 E. 25th Street, Hibbing, MN 55746

# EVALUATING MARKETING PERFORMANCE

*J. Mike Rayburn, University of Tennessee-Martin  
L. Gayle Rayburn, Southeast Missouri State University*

---

## ABSTRACT

*Developments in manufacturing and marketing, such as just-in-time-manufacturing and increased emphasis on customer satisfaction, are exposing the deficiencies of traditional accounting performance measures. Traditional performance measurements, such as net profit, return on Investments, and cash flow, are bottom-line measurements. Now marketing managers are adopting throughput as their top priority.*

---

## INTRODUCTION

Traditional accounting results say nothing about the factors, such as customer service innovation, the percent of first-time quality, and employee development, that actually help grow market share and profits. A new study on measurements by The Conference Board notes that senior managers today realize that to compete effectively, they have to keep tabs on investments in vital intangibles, such as processes to improve quality and customer satisfaction. For example, the first step to a new approach to performance measurement at Allstate Corporation involved revising corporate strategy in terms of summary-level goals, including operating income, share price, loss ratios, employee loyalty, and best-in-class processes. Corporate strategy was then translated into operating goals and tactics for discrete units (Birchard, 1995).

## DEFICIENCIES OF TRADITIONAL ACCOUNTING PERFORMANCE MEASURES

Analysis of organizational behavior reveals that managers set expectations and focus their employees' attention on the measures of the system that management watches. Too often, the traditional measurements reflect short-term financial results and do not take into consideration the strategic focus of the company. By providing a comprehensive framework that translates the company's strategic objectives into a coherent set of performance measures, a management system can be created that can motivate breakthrough improvements in such critical areas as product, process, customer, and market development (Moore and Hagendorf, 1994).

Through the use of a relatively simple technique, manufacturing managers have revealed the

need for a careful assessment of performance measures. Direct cost reduction, machine efficiency, and labor efficiency are almost universally emphasized beyond their importance. On the other hand, in somewhat less consistent findings, items such as new product introduction, customer satisfaction, and employee involvement are frequently revealed to be gaps. All manufacturing companies need to seriously consider changing their performance measures (Schmenner and Vollmann, 1994).

## Cost Reduction

An obsession with cost reduction can be overemphasized. If a company's goal is to compete as the low cost producer of goods or service, it has defined a very narrow niche for itself since there can be only one low cost producer. Instead, a better approach is to create a differentiation from competition. In addition, cost-benefit rules reject a decision to improve quality or reduce inventory. Often traditional cost analysis fails to include the potential expense reduction from having less customer complaints concerning quality.

## Counterproductive Standard Cost Variances

Companies do not update standards frequently enough; managers should use operating results to update standards. In addition, standards should be owned by the personnel whose performance is being evaluated, and they should be part of continuous improvement. To stimulate action, however, labor efficiency should not be measured crudely as total output per person. According to McNair, et. al. (1990) some companies are replacing engineered standards with rolling averages of historical actual costs, using the theoretical optimum as the long-range performance target.

Absorption costing requires allocating fixed production costs to units produced. This encourages the production of more output than needed to obtain a lower unit fixed costs. For example, computing labor efficiency and volume variances often encourages the mentality of keeping workers busy in production activities. Because of the influence of cost standards set by accountants, managers act to achieve a high level of segment efficiency, while at the same time the overall performance of the plant is declining. According to Johnson and Kaplan (1987, p. 2) traditional cost accounting methods systematically bias and distort costs of individual products. The standard product cost systems can misguide decisions on product pricing, product sourcing, product mix, and competitor responses.

### **Paradoxical Performance Measurements**

Paradoxical performance measurements, such as efficiency and volume variances, may result in several types of conflict. In particular, internal conflict may affect segment managers, who may be torn between the performance that is best for the overall company versus what measures will look the best for them. With uneven production capacity, accounting performance measures which emphasize local efficiencies clearly put a company in a position of carrying excess inventory and increasing operating expenses while reducing throughput.

### **Continuous Improvement**

The goal of continuous improvement is the systematic and continuous elimination of waste. Waste includes people's time, materials, and capital not spent on activities that add value to the products or services required by the customer. Performing correctly the first time adds nothing to the cost of a company's products or services - performing incorrectly is what cost money.

### **WORK ETHIC AND NONVALUED TIME**

Planned slack time is in conflict with the prevalent management philosophy that if workers do not have anything to do, managers should find work to keep them busy. The traditional emphasis on keeping workers busy leads to much nonvalued work. Faced with larger plant capacity than sales demand, a plant in which everybody is working all the time is inefficient and detrimental to the financial performance of the firm.

### **Overemphasis on Direct Labor**

The traditional cost accounting model correctly

applied overhead on a direct labor basis because direct labor cost was a significant portion of total product cost. As manufacturing processes have matured and automated, the labor content has diminished; at the same time other costs, especially overhead, have increased. This change in production operations requires an updating of cost accounting systems. Traditional direct labor-oriented cost management systems do not provide reliable product cost and performance measurements in an environment where machines replace labor, overhead rates soar, and direct labor cost becomes fixed.

### **TRADITIONAL COST BEHAVIOR PRINCIPLES**

Despite improvements in capturing accounting data through techniques such as bar-code scanning, database management systems, etc., cost accountants continue to be blamed for misapplying capacity concepts resulting in errors in marketing cost. Traditionally, cost accountants have thought that costs vary only with changes in the volume of production. Using this view, activity volume was expressed in direct labor-hours, machine-hours, and units of production. However, today's accountants recognize there are many costs in manufacturing plants that do not vary with the volume of production but with transactions. Cost accountants are criticized for encouraging high capacity utilization which allows the spreading of committed fixed costs over more units of production, resulting in lower fixed costs per unit. Marketers want shorter, specialized production runs on a timely basis.

Accountants agree that holding inventories which cannot be sold rapidly, or at all, defeats the purpose of running the plant at full capacity to reduce unit product cost. Faced with inadequate sales demand to meet full production capacity, accountants argue that a better solution for use of expensive equipment is to operate fewer hours and effectively plan to use the scheduled down time for preventive maintenance. It is necessary to maintain machines in good operating condition rather than running the factory at full speed because plant equipment needs time for preventive maintenance.

### **Inventory Buildup**

Traditional accounting measures which encourage rather than penalize the buildup of inventory, give confusing signals to managers about the overall process of cost and product pricing. Inventory buildup is encouraged by capitalizing periodic operating expense

into inventory. Also, local efficiency measures that reward keeping workers and machines busy building inventory, whether or not it is needed at the next processing stage, further encourage inventory buildup.

### **Costs of Holding Inventory**

Even if the marketing manager believes that leasing excess facilities is not practical, holding inventory is expensive even though a company has adequate warehouse space. Inventory has carrying costs even if there is no opportunity cost of the warehouse space. There are funds tied up in inventory in the form of material, labor, and overhead which could be earning imputed interest, and there is also the risk the company will not sell the inventory.

### **Inventory Profits**

If plant managers reduce their finished goods inventory to one half of its previous level, without jeopardizing sales or customer service and without incurring any operating expense increase, their ending finished goods inventory will be half of the starting inventory balance. The difference will be interpreted as additional expense incurred during the period. These expenses will traditionally be only partially compensated by the reduction in expenses for purchases of raw material. The entire difference between the value of the finished goods reduction and the value of purchased material in the finished goods (the value added) will reduce this period's net profit. This gives the impression that the plant has performed very poorly.

Goldratt and Fox (1986, pp. 35-37) argue that financial systems traditionally fail to recognize the impact of inventory improvements as inventory decreases. Instead, a plant that reduces its work in process or its finished goods should receive no penalty because it will enjoy savings in operating expenses from reducing various carrying cost expenses. This plant is in a better position to reap the benefits stemming from the positive impact of reduced inventory on its competitive position in the market.

### **Excess Plant Capacity Purchased**

In selecting plant capacity size, managers often believe it is more economical to acquire plant capacity larger than the requirements of the majority of the months to satisfy peak demand. They reason that stockpiling inventories to meet peak demand would be necessary if plant capacity were lower. Also, they reason that if the production cycle is long, holding inventory is cost

justified. This behavior may be an overcompensation for conditions experienced in the past. If managers operated with minimum equipment in the past, once they are in positions of authority they will try to have the best equipment.

### **Performance Measures**

According to Goldratt and Fox (1988), activities should be evaluated based on their contributions to throughput. Because throughput is the rate at which the system generates money through sales, it represents new funds entering from outside the system, not associated with a reallocation of money within the system. To better measure each activity's contribution to throughput, the management accounting system of the future should include a large, real time data base into which information is flowing continually.

Managing a complex, boundary-spanning accounting system to maximize its contribution to the firm can be a challenging task. To be effective, managers must examine the effects of different performance measurement systems. They need greater access to supporting information about internal operations and external events on both the decision-making and comfort level of boundary-spanning professionals. Results indicate that the performance measurement system impacts an individual's decision-making performance. The broader, more effectiveness-oriented measures also tend to make the individuals more confident and satisfied with their operating environment and decisions. Dumond (1994) found the availability of interaction with other internal organizations and the access to information about external events impact on an individual's decisions but has relatively little effect on the individual's comfort level.

### **Potential Benefits of Extra Services for Customers**

Regardless of the overhead application rate chosen, throughput will not increase if marketing personnel make liberal, costly promises of immediate delivery to obtain sales. While never having backorders may be considered as an effective selling technique, this shorter delivery time may not be cost justified. Management should ensure that this policy is not counter-productive, causing the retaining of additional laborers. Often a company's marketing staff promises delivery within such a short time of order receipt that more workers are employed than would otherwise be necessary if a longer delivery date was used.



## Physical Unit Data

According to a study conducted by McKinnon and Bruns (1993) production managers make more use of physical unit data than dollar or financial data in their control of daily operations. They did find that financial numbers do play a significant role in production control because of the financial implications of physical counts.

Also when considered on a longer time dimension, financial indicators transcend physical counting measures in the importance managers place on them. Managers complained consistently that accounting reports on inventories suffered by being out of date and were frequently inaccurate or poorly classified.

## ABC SYSTEM FOR MARKETING COSTS

Activity-based costing (ABC) concepts not only improve resource utilization in manufacturing but also readily apply to marketing functions. Marketing activities consume resources; customer groupings, territories, and other segments require activities. ABC more appropriately costs the marketing activities needed to service each customer or order size. The extensive variability in marketing costs across customer types and distribution channels merits attention in the costing system. ABC helps manage the customer mix by encouraging the elimination of low-volume customers for whom prices cannot be raised.

Leading logistics organizations have begun to implement activity-based costing (ABC) to cost activities and measure performance more accurately. Firms responding to a survey about ABC indicated a need for more accurate pricing and performance measures and

said that they have achieved these benefits from incorporating ABC concepts. The survey results indicate that ABC can take many forms. ABC systems span a continuum from the traditional cost model with a single cost driver to a very elaborate cost system with activities for every conceivable type of work and corresponding activity drivers. The level of ABC sophistication will vary by the proportion of overhead costs and the amount of diversity experienced within the firm (Pohlen and La Londe, 1994).

## CONCLUSION

Organizations using traditional measures often find marketing managers avoiding risks, displacing organization goals, and involved in inappropriate behavior. New performance measures that support the company's objective of maximizing throughput, rather than capacity utilization, should be used. Because what companies are measuring causes the focus of attention on this activity, it is urgent that the measure not lead to dysfunctional activities. The current criticism of traditional cost behavior is questionable.

Traditional cost behavior is appropriate because its concepts are based on accepted theory. Traditional cost behavior is appropriate because its concepts are based on accepted theory. However, reliance instead, activity based costing uses a natural cause and effect basis for allocating costs. By identifying all transactions that are important, the focus is on assigning costs to activities that caused the incurrence of a cost.

---

## REFERENCES

- Birchard, Bill (1995), "Making it Count," *CFO: The Magazine for Senior Financial Executives*, (11), (10), (October), 42-51.
- Dumond, Ellen J. (1994), "Making Best Use of Performance Measures and Information," *International Journal of Operations & Production Management*, (14), (9), 16-31.
- Goldratt, Eliyahu M. and Robert Fox (1988), "The Fundamental Measurements," *The Theory of Constraints Journal*, (1), (3), (August/September), 1-21.
- Goldratt, Eliyahu M. and Robert Fox (1986), *The Race*, Cruton-on-Hudson, New York: North River Press, Inc.
- Johnson, H. Thomas and Robert S. Kaplan (1987), *Relevance Lost: The Evolution of Management Accounting*, Boston, Mass.: Harvard Business School Press.

- McKinnon, Sharon M. and William J. Bruns (1993), "What Production Managers Really Want to Know...Management Accounting Are Failing to Tell Them," *Management Accounting*, (January), 29-35.
- McNair, Carol J., Richard L. Lynch, and Kelvin F. Cross (1990), "Do Financial and Nonfinancial Performance Measures Have to Agree?" *Management Accounting*, (November), 28-36.
- Moore, George P. and Gordon D. Hagendorf (1994), "Using Measurements to Evaluate Improvement Efforts," *American Association of Cost Engineers Transactions*, QM21-QM26.
- Pohlen, Terrance L. and Bernard J. La-Londe (1994), "Implementing Activity-Based Costing (ABC) in Logistics," *Journal of Business Logistics*, (15), (2), 1-23.
- Schmenner, Roger W. and Thomas E. Vollmann (1994), "Performance Measures: Gaps, False Alarms and the Usual Suspects," *International Journal of Operations & Production Management*, (14), (12), 58-69.

# Implementing the Strategic Marketing Plan: Structuring Program Management in Institutions of Higher Learning

Noel Mark Noël, Indiana University Northwest

---

## ABSTRACT

*Critical to the implementation of any strategic marketing plan is an organizational structure (administration, faculty and staff) whose members can execute daily operations in view of the plan's long-range goals. This paper presents the tenets of program portfolio management that combine the strategic planning tool of portfolio analysis with the organizational structure of brand management as widely practiced by many for-profit business organizations. Together, they provide the managerial and organizational foundations for implementing successful strategic marketing plans in institutions of higher learning.*

---

## INTRODUCTION

Many institutions of higher learning have a formalized strategic marketing plan only to have senior administrators find that it serves little purpose in the long-run and distracts from their day-to-day decisions and operations of managing a large organization (Chan 1993). However, as colleges and universities have been under increasing pressure by many constituencies to become more accountable and attuned to the concerns of society and business, they are recognizing the necessity of strategic planning (Baker and Smith 1997). Strategic planning is the process of matching the organization to fit its evolving environment. A formalized definition is presented by Kotler and Fox (1995) ".... as the process of developing and maintaining a strategic fit between the institution's goals and capabilities and its changing marketing opportunities. It relies on developing a clear institutional mission, supporting goals and objectives, a sound strategy, and appropriate implementation."

Many successful for-profit corporations have established three- and five-year marketing plans and have learned to implement those plans with annual reviews and quarterly managerial feedback (Craven 1994). Corporations that have shelved the strategic plan or have failed to meet long-term goals, have done so not because of a bad plan, but because the organization did not respond to the changes needed to implement the plan.

Strategic planning is new to most educational institutions at all administrative levels. Multiple external and internal factors that have confronted institutions of higher learning within the last decade, have prompted educational administrators to adopt for-profit management tools. They often rely on consultants and/or top administrative committees to formalize a strategic marketing plan. The

excitement generated by almost every strategic plan soon dissipates if the gap between what is proposed, as presented in the strategic plan, collides with the reality of how it is to be administered. A college focused by a marketing-driven strategic plan cannot effectively realize its desired future within a formal, rigid, and centralized decision process, because such lengthy and cumbersome processes prohibit the institution from competing effectively in the rapidly changing environment. This paper examines the concepts of brand management and portfolio analysis as a way for institutions of higher education to successfully implement their strategic marketing plans.

## ORGANIZATIONAL LINK TO THE STRATEGIC PLAN

Senior administrators must recognize that the educational institution's organizational structure can critically impact the implementation of the marketing plan. An effective marketing-oriented organization can be viewed as a control mechanism that matches the marketing effort to the environment of the institution (Lysonski, Levas and Lavenka 1995). Strategy experts such as Hammer and Champy (1993), Handy (1990) and Webster (1992) have noted that the tumultuous changes in the institutions' environment over the last decade require new forms of organization to replace the typical bureaucratic hierarchical organization. They recommend such changes because institutional survival requires rapid and flexible responses to accelerating competition, in customer/student preferences, and in information technology. Traditional vertical organizational structures are far less equipped to respond rapidly than are organizations in which power is shared laterally.

Colleges and universities are among the oldest forms of social organization. Therefore, it is not

surprising that their faculty and staff members often exhibit deep, institutional resistance to fundamental changes (Hearn 1996). An educational institution's organizational structure must be tempered by the degree of uncertainty and dynamism present in its environment. For example, greater certainty allows the institution's organizational structure to have a greater centralized hierarchy with formalized rules and procedures (Lawrence and Lorsch, 1967).

Centralization institutionalizes the authority of upper management to make important decisions, however, it can easily result in less participation by middle-level deans or division administrators because it tends to restrict their managerial role and scope of responsibility. Conversely, an uncertain environment requires organizational flexibility and autonomy for the dean or division manager so that he or she may maximize a program's potential. In colleges with small enrollments, or universities with few programs, a strong centralized administration is more adept at managing internal programs while knowledgeably addressing external markets and publics. As more unique markets and complex programs evolve strong pressure is placed on administration to empower others to deal internally with the faster pace of external changes.

### **PROGRAM MANAGEMENT IN HIGHER LEARNING**

Program management in institutions of higher learning is an organizational management construct borrowed from the implementation of the marketing 'brand manager' concept. This construct is often combined with the strategic marketing application of portfolio analysis to help guide the strategic planning process from the grassroots level. Its ultimate purpose is to provide senior management with the time necessary to devote to strategic issues, and with a structure to manage the organization, its people and its culture, while implementing the long-range goals of the strategic plan. Without each component, the educational administrator is left to micro-manage an increasingly complex organization and relinquishes the opportunity to address the ever-changing external environment and needs of the market.

The key agent in implementing and controlling a strategic plan in corporations is the brand manager. The brand management concept has long been a widely used structural system that organizes the marketing effort and assigns total responsibility to one person for managing a product line, a category of products or services, or a brand. Many service organizations like

hospitals, insurance companies and banks also organize using the product management concept. Educational institutions offer programs that possess many of the marketing characteristics and fundamentals typical of various for-profit products or services.

In response to a growing proliferation of new products and brands marketed to increasingly segmented customer markets, Proctor and Gamble management first initiated the product/brand manager concept in 1956 (Lehmann and Winer 1994). Today, the brand management concept operates in the large majority of consumer packaged goods industries. One study indicates that 72 percent of consumer goods firms and 52 percent of industrial firms were satisfied with the way the brand management concept works (Dawes and Patterson, 1988). However, the lack of full corporate acceptance and satisfaction with the brand management system suggests a mismatch between a firm's environment, its structure, and brand managers' expectations. The management tool used most to help resolve this gap is portfolio analysis.

Product portfolio analysis helps management understand how to more effectively bridge the managerial gap between the independent actions taken by the brand manager and the desired long-range goals of the strategic plan (Quelch 1995).

### **EDUCATIONAL COROLLARY**

Depending on their level of autonomy many university division administrators or college deans may be considered the brand managers of higher education. The corporate title of brand manager is assigned to a middle-level executive who has marketing strategy responsibility, and some level of authority to implement tasks to achieve their prearranged strategy. The same responsibilities are inherent with those college administrators and deans who are held responsible for the selection of targeted student markets and the proper blend of program offerings, tuition, program promotion, and location, as well as for daily internal management tasks. The lack of authority and responsibility to implement any real program marketing mix reduces the role of the dean or the program administrator to that of a supervisor, who has little or no incentive to provide senior administration with strategic expectations and goals. Portfolio analysis, when practiced by top administrators, restores a degree of authority to the brand manager because it provides him or her with the funds and resources necessary to execute the plan.

**TABLE 1**

**FINANCIAL CONTRIBUTION/MISSION FIT MATRIX**

		<b>FINANCIAL CONTRIBUTION</b>	
<b>MISSION FIT</b>	VERY STRONG	STARS	SUBSIDIZED PROGRAMS
	MODERATELY STRONG		
	BARELY ADEQUATE	CASH COWS	DOGS
		VERY PROFITABLE	BREAK EVEN      VERY UNPROFITABLE

**PROGRAM PORTFOLIO ANALYSIS**

Portfolio management is rooted in the concept of the Product Life Cycle, which describes the stages a new product goes through from a beginning idea to the final termination of the product or service. Typically, the product life cycle is divided into four general market stages - market introduction, market growth, market maturity, and sales decline, which helps the manager to identify and implement the appropriate marketing strategy. Managers have found it useful to view an individual product, and its relationships to other products, with its contribution to the firm's total response to the market. Financial managers find this approach useful because it allows them to evaluate a product or service's individual financial returns in relation to other product returns.

While many models of portfolio analysis exist, probably the tool most frequently discussed in current marketing management literature is The Boston Consulting Group's "Growth Share Grid" (Craven,

1994). The grid's horizontal axis is labeled "relative market share" and the vertical axis is labeled "market growth". This model grid allows the manager to analyze the current performance of the individual product (relative market share competition) and evaluate the future prospects for the industry in which the product competes (market growth). The combination of these two factors offers managers an estimate of current and future returns that the company can expect to receive from a product. While this tool is useful for managers in many industries, the structure of most higher education systems makes the implementation of this concept difficult. Kearney (1995) recently suggested a revised concept to evaluate existing educational programs by substituting new axis labels of "mission fit" and "financial contribution". Program justification, he argues, should require that a program either assists the institution in accomplishing its mission, or it contributes to the financial resources of the institution, or a combination of the two.

Managers in higher education can benefit from the use of portfolio analysis to make the allocation of

resources more rational than it has been. However, before portfolio analysis can be instituted to make rational allocations of resources, a program management system needs to be installed. The juxtaposition of existing programs allows members of senior administration to assign the responsibilities and the appropriate authority to implement individual programs' plan and goals based on their program's position on the grid.

Certain qualities are required of managers and administrators that reflect unique program needs. The structure, people, and culture are the required next steps for implementation. Inherent to the effective management of an organizational culture and its people is an incentive system that rewards members of those programs that successfully execute their short and long-range plans. Next is the heart of program portfolio management system, the budget process.

### PROGRAM BUDGET PROCESS

The budget process in most bureaucratic institutions uses a line-item budget format, which enumerates each program's employee salaries and benefits, supplies and expenses. These budgets are defined by senior administration, tightly managed, wedded to previous years budgets, and often retained in a centralized account to be distributed at carefully selected intervals to programs and departments. The line budget approach holds managers responsible for managing the budget they have been allocated. It does not hold them accountable for generating revenues to offset expenses. Revenue enhancement, therefore, is left to senior administration in charge of fund raising, development, and grantsmanship (Pappas 1996).

Program portfolio management, using the profit/performance center approach, considers the budget process as a communication tool to implement the marketing strategy - - as well as, providing fiscal authority and responsibility to lower levels of management. Senior administration envisions the budget process as an opportunity to allow program managers to develop and present short and long-term goals and tasks concomitant with the university's strategic plan. In addition, all costs, both direct and indirect, are assigned to the program's budget as are the revenues generated. This budget process is often time consuming and thought provoking because it can provide very useful insights about how and why an organization's resources are allocated the way they are. It permits managers, at the lowest levels of the organization, to make decisions that will ensure that resources are being used in the most efficient and cost-effective manner.

Program managers often employ an array of managerial tools, from a S.W.O.T. analysis (strengths, weaknesses, opportunities and threats), to enrollment forecasts and competitive market analysis. Their goal is to present to senior management a bottom-up analysis of how best they can accomplish, given present and future resources, goals and objectives to accomplish the university strategic plan. This, along with assigned direct and indirect program costs, allow senior management to allocate their fiscal resources more prudently while monitoring the abilities of the program managers to successfully implement their plans.

### CONCLUSIONS AND MANAGERIAL IMPLICATIONS

Good managers in higher education have learned that they must weave their managerial magic using the given organizational management structures, financial practices, and human resources that are embedded in a culture unique to their particular operating environment. Institutions of higher education have begun to embrace the concepts of strategic marketing found in the corporate literature and have adapted them to their own specialized marketplace. But implementing the strategic plan may require changes in the organizational structure and budgetary process, and the retraining or replacing of personnel in key positions based on managerial talents suited to their program's portfolio position.

An organizational shift to program portfolio management is a tumultuous change for the administration, faculty, and staff of any organization - - be it profit or non-profit. This upheaval is often unavoidable, brought about by rapidly changing external market forces and an evolving internal growth of unique programs. The first step many organizations take to address these changes is a formalized strategic plan. How rapidly and successfully program portfolio management can be integrated by the organization determines whether the strategic plan will be implemented.

Portfolio management provides senior management with a managerial tool to evaluate the institution's current programs and markets - - and whether to maintain, build, expand or drop them. It also empowers those middle-level administrators with the appropriate level of authority and responsibility necessary to implement the goals and objectives of the strategic plan. Without product portfolio management the strategic marketing plan remains only that - a plan.

---

## REFERENCES

- Baker, Thomas S. and Smith, Howard W. (1997), "Strategic Planning: Evolution of a Model," *Innovative Higher Education*, 21, (Summer), 287-305.
- Chan, Susy S. (1993), "Changing Roles of Institutional Research in Strategic Management," *Research in Higher Education*, 34, 533-549.
- Craven, D. W. (1994), *Strategic Marketing*, Irwin.
- Dawes, P. L. and Patterson, P. G. (1988), "The Performance of Industrial and Consumer Product Managers," *Industrial Marketing Management*, 17, (February), 73-84.
- Hammer, M. and Champy, J. (1993), *Reengineering the Corporation: A Manifesto for Business Revolution*, Harper Business, New York, NY.
- Handy, C. (1990), *The Age of Unreason*, Harvard Business School Press, Boston, MA.
- Hearn, James C. (1996), "Transforming U.S. Higher Education: An Organizational Perspective," *Innovative Higher Education*, 21, 141-154.
- Kearney, Terrence, J. (1995), "Analyzing the Product Portfolio at Institutions of Higher Education," *Proceedings of the 1995 Symposium for the Marketing of Higher Education*, Chicago, Illinois.
- Kotler, P. and K. Fox (1995), *Strategic Marketing for Educational Institutions*. Prentice Hall
- Lawrence, P. R. and Lorch, J. W. (1967), *Organizations and Environments*, Harvard Business School, Cambridge, MA.
- Lehmann, D. R. and Winer, R. S. (1994) *Product Management*, Irwin
- Lysonski, S., M. Levas and N. Lavenka (1995), "Environmental Uncertainty and Organizational Structure: A Product Management Perspective," *Journal of Product & Brand Management*, 4 (3), 7-18.
- Pappas, A. T. (1996), *Reengineering Your Nonprofit Organization: A Guide to Strategic Transformation*, Wiley Nonprofit Series, NY.
- Quelch, J. A. (1995) *Cases in Product Management*, Irwin
- Webster, F. (1992), "The Changing Role of Marketing in the Corporation," *Journal of Marketing* 56 (4), 1-17.

# Service Quality and Repeat Usage: A Case of Rising Expectations

Brian Engelland, Mississippi State University  
Chris Hopkins, Mississippi State University  
Letty Workman, Ohio University  
Mandeep Singh, Western Illinois University

---

## ABSTRACT

*The literature has focused on differences between customer expectations and delivery perceptions as the basis for service quality measurement, but little work has been undertaken to evaluate whether service expectations and perceptions change with usage experience. Based upon a multi-campus survey of career services center (CSC) users, this study finds support for a relationship between repeat usage and service quality. Specifically, users who rate service quality highly, tend to make greater utilization of the service; and frequent users tend to have higher service quality expectations and more accurate service quality evaluations. Implications are highlighted.*

---

## INTRODUCTION

Service industries are playing an increasingly important role in the overall world economy (Batson 1989, Ginzburg and Vojta 1981; Koeppe 1987), and delivering quality service is considered an essential strategy for success and survival (Dawkins and Riecheld 1990; Parasuraman, Zeithaml, and Berry 1985; Reicheld and Sasser 1990; Zeithaml, and Berry 1990). A principal emphasis of recent academic and managerial inquiry has focused on determining what service quality means, developing appropriate measures, and creating market-focused strategies to meet customer expectation.

While extant service quality literature is prodigious, scholars have paid little attention to usage frequency and its possible relationship with service quality perception, even though it is well known that service users may change their perceptions over time as they gain additional experience. For instance, the first-time user of a new restaurant has a delightful experience and rates it highly on a customer comment card. But on subsequent visits, the customer grows tired of the limited menu and notices weaknesses in food quality that were not apparent on the first visit. These weaknesses are noted by a decline in quality rating as marked on comment cards even though there was no real change in the service. Changes of this type may mask real changes in service quality over time and consequently have serious managerial implications. Accordingly, the purpose of this study is to explore usage frequency and its effects on service quality measurement. Specifically, how

does usage frequency affect customer perception? What is the effect on service expectation as frequency increases? And, do frequent users exhibit a more consistent pattern of service quality perception (less variability) than less frequent users?

This paper will first present a literature review of current studies as they relate to service quality measurement, service quality expectations, and attitude change. Following will be the development of research hypotheses pertaining to repeat usage. A methodology section will then be presented which will discuss sample selection, sample size, and the elicitation procedure. Results will then be reported, and the paper will conclude with a discussion of findings, literature contributions, research limitations and extensions.

## SERVICE QUALITY AND ITS MEASUREMENT

Service quality is a measure of how well the delivered level of service matches customer expectations. Accordingly, if a service provider is to deliver high quality service, it must conform to customer expectations on a consistent basis over time (Lewis and Booms 1983). Service quality first began to receive significant attention in the late '70's, and this work resulted in several groundbreaking articles, including Gronoos (1982), Lehtinen and Lehtinen (1982), Lewis and Booms (1983), and Sasser, Olsen, and Wyckoff (1978). Three underlying themes are suggested in this early literature: (1) Service quality is more difficult for the consumer to evaluate than



goods quality; (2) Service quality perceptions result from a comparison of consumer expectations with actual service performance; and (3) Quality evaluations are not made solely on the outcome of a service, but also on evaluations of the process of service delivery.

Service quality measurement has benefitted greatly by the work of Parasuraman, Zeithaml and Berry, who developed a model and measurement approach which they named SERVQUAL (Parasuraman, Zeithaml and Berry 1985, 1988, 1994; Parasuraman, Berry and Zeithaml 1993; and Zeithaml, Parasuraman and Berry 1990). Consisting of a 22-item, SERVQUAL is based on the idea that service quality is derived from the difference between consumers' expectations about performance of a general class of service providers and their assessment of the actual performance of a specific firm within that class. Service quality has been described as a form of attitude, related but not equivalent to satisfaction, that results from the comparison of expectations with performance (Parasuraman, Zeithaml, and Berry 1988).

Given the Lewis and Booms (1983) definition of service quality, and its requirement for consistency in result over time, it is curious that measure development has tended to avoid user experience as a modeled variable. Neither SERVQUAL, nor the more recent competing measure called SERVPERF (Cronin and Taylor 1992), include respondent usage (or its surrogate, brand loyalty) as part of the measurement model. Furthermore, follow-up research has concentrated on the relative evaluation of these competing measurement approaches rather than evaluating the effects of related constructs on service quality measurement.

Our search was unable to find any study that examined repeat usage in a service quality setting. Thus, in order to find theoretical support for a relationship between these constructs, we examine three theoretical approaches which apply to attitude change: reinforcement, cognitive dissonance, and social judgement. Each provides insights to the relationship among the variables of interest and assists in the development of theory-based research hypotheses.

### DEVELOPMENT OF RESEARCH HYPOTHESES

The first theoretical perspective we examine for its applicability to the service situation is reinforcement [see Schwartz (1989) for a comprehensive exposition of this theoretical perspective]. Reinforcement theory suggests

that subjects possess a *need* for certain specified goals, such as good value and friendly service. When exposed to a *stimulus* (an advertisement, for example), the subject will engage in certain *behavior* (such as proceeding to the service establishment with the intention of having service performed and their need fulfilled.) The subject receives *positive reinforcement* when the service is rendered in a high quality fashion and the subject's need is met; and *negative reinforcement* when the service is rendered in a poor quality manner which fails to satisfy the subject's need.

Positive and negative reinforcement have opposite effects. Hull (1952) posited that positive reinforcement strengthens the relationship between stimulus and response because it fulfills need, reduces drive, and builds up habit tendencies. Thus, the subject becomes habituated with the focal service establishment and is increasingly likely to return each time he or she is confronted with the stimulus. On the other hand, negative reinforcement reduces the relationship between stimulus and response because it fails to fulfill need, increases drive, and lessens habituation. Under negative reinforcement, the subject is driven away from the focal service establishment.

The reinforcement perspective would suggest that service providers who can provide consistently positive reinforcement through high quality service delivery will build a loyal customer base. Those customers will become habituated because of their prior experiences of high service quality. Service providers that are inconsistent in the quality of service they provide are unlikely to develop a loyal customer base because the negative reinforcement they offer reduces habituation. Accordingly, we propose the following hypothesis: H<sub>1</sub> The greater the perception of delivered service quality among service consumers, the greater will be the frequency of use.

A second theoretical perspective which applies to this area of inquiry is social judgement theory as developed by Sherif and Hovland (1961) and later refined by numerous scholars. Social judgement theory is principally concerned with the psychological processes underlying the development and expression of attitudes. This theory suggests that when evaluating other people and things (brands or service providers, for instance) individuals develop *latitudes of acceptance*, *latitudes of rejection*, and *latitudes of noncommitment* which they use as guidelines to speed the evaluation. The latitude of acceptance consists of all the possible

behaviors that are deemed acceptable by the subject, and in the service setting might consist of how quickly one is served, the degree of friendliness exhibited, the level of competence of the wait staff, and other factors. When a subject is greeted by a preponderance of acceptable behaviors, his or her internal latitude of acceptance supports the development of a favorable attitude towards the service experience. On the other hand, when behaviors are encountered that fall within the latitude of rejection, the subject's attitude toward the experience becomes unfavorable.

Sherif et al. (1965) suggested that individuals who have a low level of familiarity with what they are evaluating, possess a wide latitude of acceptance and latitude of noncommitment and at the same time have a small latitude of rejection. In short, they really don't have a refined sense of what is good and bad. Then as individuals become more familiar with (and more involved with) the person, place or thing being evaluated, their latitudes of acceptance and non-commitment shrink while their latitude of rejection expands. Because the number of behaviors they value becomes reduced and the number of objectionable behaviors increases, they become more discerning in their judgements. Accordingly, we propose:  $H_2$  The greater the frequency of use, the greater will be the service quality expectation.

A third theoretical perspective that applies to our question is the theory of cognitive dissonance (Festinger 1957). This theory posits that individuals possess an essential desire for cognitive consistency or balance in their belief. For instance, when a service provider does a great job and a consumer is delighted with the service he or she receives, it would be cognitively consistent with the service experience if that consumer would hold a favorable attitude toward the service provider. On the other hand, if the consumer receives poor treatment on the next service occasion, that poor treatment is inconsistent with the consumer's favorable attitude. When non-fitting relationships between cognitive elements are introduced, the sense of cognitive balance is lost and the individual seeks to restore consistency by changes in attitude, behavior and selected exposure to new information.

Festinger (1957) suggested that individuals will engage in selective exposure and retention of new information, tending to seek out consonance-producing information and ignoring (or discounting) dissonance-producing information. In the case of involuntary exposure to dissonance-producing information, the individual may set up defensive processes which prevent

the non-fitting information from becoming part of the cognitive system. This would suggest that a loyal consumer with a favorable attitude toward a service provider may tend to ignore some sporadic deficiencies in a service-provider's performance, casting these incidents aside as momentary lapses in an otherwise stellar performance. Accordingly, we propose:  $H_3$  The greater the frequency of use, the less the variability in service quality perception.

## RESEARCH METHODOLOGY

To test the previously stated hypotheses, we chose a readily observable service environment available on most college campuses -- the Career Services Center (CSC). Students of all grade levels utilize CSC services to assist in obtaining part-time employment, internship selection, résumé writing assistance, job search information, and on-campus recruiting, to name just a few. Discussions with a sample of students convinced us that most undergraduates have an opinion on the quality of their campus CSC.

Data were collected as part of a larger study of career services performance involving undergraduate college students at three universities, all located in the Midwestern part of the United States. Respondents were selected from students who indicated they had had prior experience in using services offered by their campus career services center. Participation in the study was voluntary and students were informed only that the study involved questions about the career services center on their campus. Questionnaire elicitation resulted in 230 usable responses, split evenly from among students at the three participating universities. The questionnaire included a modified version of the SERVQUAL instrument (Zeithaml, Parasuraman and Berry 1990) developed and validated for CSC's as described in the following paragraphs.

In a preliminary study, CSC directors from nine different campuses were interviewed to obtain their perceptions on the meaning of quality in the CSC context. The five dimensions of SERVQUAL were affirmed as being an effective representation of the totality of the service quality construct. Therefore, the five SERVQUAL dimensions -- tangibles, reliability, responsiveness, assurance and empathy -- were retained as appropriate dimensions for the current study. Follow-up questionnaires to the same audience identified fifty additional scale indicators that could be used as alternatives to the standard SERVQUAL items. Then a purification and validity assessment procedure was

**TABLE 1: Analysis of Variance**

Parameter	H1	H2	H3
F	7.901	19.216	29.844
p	.0261	.0032	.0009
Adj R-sq	.4631	.6948	.7829
Mean sq	59.50	27.80	48.38

applied to refine the scale items employed by the measure. This resulted in a refined SERVQUAL instrument, custom-tailored for the application at hand, with coefficient  $\alpha$  reliabilities all above .75 for the five individual sub-scales.

Student respondents were also asked to check-off which services they had experienced through the career services center on their campus. The total number of checks provided a measure of the relative usage frequency by which respondents had experienced the services provided by the center. One additional measure of usage was gathered in the elicitation. Respondents were asked to indicate their frequency of use by checking a four-level response format, from "never" to "often." This measure provided an additional cross-validation on the previous usage measurement.

Regression analysis was chosen as the appropriate statistical method to test the significance of the relationship between the metric variables of interest. Three regression tests were run, one for each research hypothesis.

### EXPERIMENTAL RESULTS

The results of the regression analysis tests support all three research hypotheses (Table 1). The data provide support for the first hypothesis establishing a relationship between service quality perception and usage frequency. The F statistic was 7.9 and adjusted R-square was .46. This result indicates that those respondents who rated service quality high tended to utilize that service more frequently than those who rated the quality lower.

The second hypothesis, establishing a relationship between service quality expectation and frequency of use, was strongly supported by the results ( $F = 19.2$ ; adj. R-Square = .69). This indicates that our respondents tended to raise their quality expectation with repeat exposure to that service. In other words, their internal quality standards tended to be revised upwards as they

experienced the focal service more frequently.

The third hypothesis, establishing a relationship between perception variability and usage frequency, was also strongly supported ( $F = 29.8$ ; adj. R-Square = .78). This indicates that respondents tended to increase their accuracy of service quality perception with increased exposure to the service being evaluated. In summary, our results show that service users frequent the service establishments they rate as high in service quality, raise their service quality expectations as they gain more experience with that establishment, and become more "accurate" in their assessment of service quality delivery.

### DISCUSSION

Our results suggest that service providers should exercise caution when interpreting the results of service quality assessment. Rising service quality scores over time may simply be an artifact of changing customer composition (more experienced customers) rather than the result of real service improvement. Our data suggest that one-time users tend to have lower expectations and lower delivery perceptions than multiple-time users. We suggest that comprehensive service quality assessment must include some means of control for service usage among the respondent sample. By controlling for service usage, the service measurement system can more readily discern any real improvements in service quality delivery versus the benchmark value.

The control for service usage could be accomplished in at least two ways. First, the elicitation instrument could include additional self-report items which indicate the types of services used by the respondent, similar to the checklist approach employed in this study. This approach has an added utility in that service mix information can be gathered. Service quality scores can then be more readily determined for each type of service provided.

A second approach would involve the use of agreement-type response items in which the respondent indicates a qualitative assessment of past usage habits. For instance, the item could pose the question, "indicate your degree of agreement: I have used the service many times." This approach may be integrated into the survey instrument more seamlessly than the first approach because the preferred service quality scales (that is, SERVQUAL and SERVPERF) are constructed of agreement-type response items.

This study is a first step toward a comprehensive examination of the role that usage frequency plays in the formation of service quality attitudes. We have visited the attitude change theory literature to derive three research hypotheses, then found empirical support for those hypotheses based upon a multi-campus study of service quality related to career service centers. In addition, we've provided practical suggestions and research extensions. There are some limitations, however.

Limitations to this study include its generalizability to other service environments and its cross-sectional nature. While it is unlikely that service quality expectations and delivery perceptions function differently with respect to usage frequency for campus career services centers that serve student populations than for other credence-based services provided to the general public, it is necessary to gather empirical support to ascertain equivalence. Similar studies among retail, restaurant, medical and telecommunications service users would support the generalizability of the findings presented here. Any cross-sectional study is unable to discern service quality perception changes in individual respondents over time. Longitudinal studies in which individual respondents are tracked as they experience repeat exposures to the service situation would be the preferred methodological approach. Such a study would have the capability of controlling for respondents who stop using the service for whatever reason.

---

## REFERENCES

- Batson, John E. (1989), *Managing Services Marketing*, London: Dryden Press.
- Cronin, J. Joseph, Jr. and Steven A. Taylor (1994), "SERVPERF Versus SERVQUAL: Reconciling Performance-Based and Perceptions-Minus-Expectations Measurement of Service Quality," *Journal of Marketing*, 58(January), 125-131.
- Dawkins, P. and F. Reichheld (1990), "Customer Retention as a Competitive Weapon," *Directors and Boards*, 14 (Summer), 42-47.
- Festinger, Leon (1957), *A Theory of Cognitive Dissonance*, Stanford: Stanford University Press.
- Ginsburg, Eli and George Vojta (1981), "The Service Sector of the U.S. Economy," *Scientific American*, 244 (March), 31-9.
- Hull, Clark L. (1952), *A Behavior System; An Introduction to Behavior Theory Concerning the Individual Organism*, New Haven: Yale University Press.
- Koepp, Stephen (1987), "Pul-eeze! Will Somebody Help Me?" *Time* (February 2 ), 28-34.
- Lewis, Robert C. And Bernard H. Booms (1983), "The Marketing Aspects of Service Quality," in *Emerging Perspectives on Services Marketing*, L. Berry, G. Shostak, and G. Upah, eds., Chicago: American Marketing Association, 99-107.
- Gronoos, Christian (1982), *Strategic Management and Marketing in the Private Sector*, Helsinki, Finland: Swedish School of Economics and Business Administration.
- Lehtinen, Uolevi and Jarmo R. Lehtinen (1982), "Service Quality: A Study of Quality Dimensions," unpublished working paper, Helsinki: Service Management Institute, Finland.
- Parasuraman, A., Valarie A. Zeithaml and Leonard L. Berry (1994), "Reassessment of Expectations as a Comparison Standard in Measuring Service Quality: Implications for Further Research," *Journal of Marketing*, 58(January), 111-124.
- \_\_\_\_\_ (1988), "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of

Service Quality," *Journal of Retailing*, 64(1), 12-40.

\_\_\_\_\_ (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, 49(Fall), 41-50.

Parasuraman, A., Leonard L. Berry and Valarie A. Zeithaml (1993), "Research Note: More on Improving Service Quality Measurement," *Journal of Retailing*, 69(Spring), 140-147.

Reicheld, Frederick and W. Earl Sasser, Jr. (1990), "Zero Defections: Quality Comes to Service," *Harvard Business Review*, 68 (September/October), 105-11.

Sasser, W. Earl Jr., R. Paul Olsen, and D. Daryl Wyckoff (1978), "Understanding Service Operations," in *Management of Service Operations*. Boston: Allyn and Bacon.

Schwartz, Barry (1989), *Psychology of Learning and Behavior*, 3<sup>rd</sup> ed., New York: Norton.

Sherif, Carolyn W., Muzafer Sherif, and Roger E. Nebergall (1965), *Attitude and Attitude Change: The Social Judgement-Involvement Approach*, Philadelphia: W. B. Saunders.

Sherif, Muzafer and Carl I. Hovland (1961), *Social Judgement: Assimilation and Contrast Effects in Communication and Attitude Change*, New Haven: Yale University Press.

Zeithaml, Valarie A., A. Parasuraman and Leonard L. Berry (1990), *Delivering Quality Service: Balancing Customer Perceptions and Expectations*, The Free Press, New York.

# Corporate Responses to Consumer E-mail Complaints: A Pilot Study

Judy Strauss, Central Connecticut State University  
Anna Pesce, Central Connecticut State University

---

## ABSTRACT

*This research examined timeliness and customer satisfaction effects of company responses to consumer e-mail complaints. Following postal research, this pilot found increased satisfaction when companies responded to consumers. Further, many Web sites did not allow for e-mail communication with customers, and many subjects found it difficult to voice electronic complaints.*

---

## INTRODUCTION

The tremendous expansion of the Internet provides new opportunities for building customer relationships through electronic communication. In July 1997, there were an estimated 300,000 Web sites and 80 million HTML pages, most of which were in the commercial domain (Cyberatlas 1997). Among the 500 largest U.S. companies, nearly 80% were expected to have web pages in 1996, more than double the portion in 1995 (Weber 1996). The Web's primary use for marketers is as an electronic storefront for retail transactions and as a medium for communication with customers (Hoffman and Novak 1995). Market transactions over the Web currently represent a small amount of user activity, with approximately 25% of all users having purchased products on the Internet. Marketing communication with customers remains the primary purpose for most corporate Web sites. Web-based communication in current use includes public relations activities such as online product and company information, promotional coupons and online sweepstakes, and banner and sponsorship advertising. Another public relations feature is the ability for immediate, two-way, and personalized customer communication through electronic mail. Consumers may send e-mail complaints and comments directly from many Web sites with a simple click of the mouse. Though it has been more common in the past for consumers to contact companies by postal mail, e-mail's allure is its easy, free, and instantaneous access.

With approximately 45 million users online (Cyberatlas 1997), e-mail communication has the potential of becoming an important part of a firm's

customer service function. In California, a recently passed law requires all state agencies to allow citizen complaints via e-mail (Associated Press 1997). The vehicle for customer e-mail communication to many organizations is in place, but how well are organizations responding to customer electronic epistles? To answer this question, one researcher sent e-mail messages to 50 of the largest 500 U.S. firms with e-mail capabilities on their Web sites (cited in Weber 1996). Only 34% responded to e-mail inquiries. In research for his Wall Street Journal article, Weber (1996) sent e-mail questions to 24 major companies from their Web sites. Of the 62% percent responding, only three firms answered appropriately within one day. Two firms took three weeks to reply, and the others sent automated responses that were unrelated to the original inquiry.

There are three notable differences between postal and e-mail responses to consumer communication. First, the nature of the electronic medium has the potential of raising consumer expectations about response timing. Larry Dale, Ford Motor Company Webmaster, says "Its important to be fast. Its a fast medium. Some of these people might well be sitting at their PC waiting for a return e-mail (Weber 1996, p. B11)." In 1996, L. L. Bean placed nine staff members at keyboards around the clock to respond quickly to its 500 e-mail messages a week: the goal is responses within twenty-four hours. Second, a company cannot offer free product or other tangible items via e-mail: a common practice with postal complaint responses. For example, most firms send coupons or refunds which results in satisfaction among 56% to 77% of complaining customers (Hill and Baer 1993). Firms can, however, provide electronic coupons. There is no evidence of this practice to date. Finally, new

protocols must be established to forward compliant handling to appropriate personnel. Customer service departments are in place for postal communication, but electronic communication generally goes to Webmasters who must then forward these notes to designated customer relations personnel.

Until the early 1980s, companies focused on attracting new customers at the expense of defensive strategies such as maintaining current customer satisfaction (Fornell and Wernerfelt 1987). More recently, however, most firms recognize the value of customer complaints for improving the firm's offerings and forging a customer orientation (Plymire 1991, Goodwin and Ross 1990). Effective complaint handling increases the probability of enhanced customer satisfaction and thus repeat patronage. In addition, dissatisfied customers are more likely to complain to others, creating negative word-of-mouth (Blodgett and Granbois 1992). There is little doubt that it is in the firm's best interest to handle consumer complaints and other communication well. Therefore, if an organization provides electronic feedback from its Web site, it is extremely important for companies to maintain the site and to staff for e-mail communication.

The present pilot study explores corporate responses to consumer complaints sent via e-mail and consumer reactions to those responses. One would expect e-mail complaints to generate quick responses. It was further hypothesized that consumers receiving responses would experience more satisfaction than those that did not receive replies. This paper describes the pilot study and its results, and suggests directions for future work. Future research results will aid companies in managing electronic complaints in order to build positive customer relationships.

## METHOD

This study was conducted in several phases. First, consumers wrote genuine e-mail complaints to offending companies. Second, corporate responses to these e-mails were reviewed in terms of response timeliness. Third, survey research with subjects was used to determine the effectiveness of corporate responses on consumer satisfaction with the offending company.

Subjects were recruited in thirteen classes at a northeastern state university, and electronic messages soliciting participants were posted on the university's computer system bulletin board, and on a consumer newsgroup in the UseNet. The university classes yielded 51 who had a legitimate product complaint out of 305

students. Two students volunteered from the university bulletin board and one from the Internet. Of 54 potential complainers, only ten actually responded to the e-mail call for complaint e-mail letters, and only eight were able to locate e-mail addresses for the offending companies. Interestingly, all bulletin board volunteers participated, leaving only 5 actual participants from the classes. Locating students with complaints and motivating student subjects to participate at this university was clearly a problem: especially notable since eleven of the thirteen class sample were computer classes.

In March 1997, subjects e-mailed the researcher with their letters of complaint along with the offending company's e-mail address. There was no prescribed format for the complaint letter, but each was to contain the brand name of the product and the reason(s) for dissatisfaction. E-mail complaint letters were then sent to the offending company signed by a student researcher and under her return e-mail address. She was an intermediary in this process to assure accurate accounting of all e-mails. After all complaint letters were sent to companies, the first questionnaire was e-mailed to subjects asking the nature of the product, the price, previous product experience and subject demographics.

All responses sent from offending companies were forwarded within a few hours to the complaining subjects along with a second e-mail questionnaire that measured the effect of the response on their perception of the company. This questionnaire was adapted from that used in a postal complaint study (Hill and Baer 1993). If the researcher received any automated responses that promised another "real" response (which did not occur), the second questionnaire would have been sent with the "real" complaint response. — Subjects not receiving responses from the offending company received the second questionnaire six weeks after the original complaint e-mail was sent. This questionnaire was similar to that for subjects receiving a response, but several inappropriate items were deleted. Subjects receiving no reply were compared with those receiving e-mail replies in terms of customer satisfaction and perceived company credibility.

## RESULTS

### Subject Description and Complaint Responses

There was an equal distribution of males and females among the eight subjects in the pilot study, and

**Table 1**  
**Offending Products and Corporate Responses**

Subject	Company and Product	Price Paid	Previously Purchased	Corporate Reply	Speed of Reply
1	Oldsmobile: Bravada	\$30,000	yes	yes	3 days
2	MSN: Internet Service	\$20 per month	no	yes	2 hours
3	SRI: iVals at Web site	free	yes	yes	6 hours
4	Comp USA Internet Service (Time Warner): Network card	\$0 (service not installed)	no	yes	28 days
5	Gap: Limited Edition Jeans	\$48	no	yes	2 hours
6	L'Oreal: Casting Hair Color	\$6	no	no	
7	ICON Fitness: Proform	\$990	no	no	
8	Calvin Klein: shirt	\$55	no	no	

the average age was 29.6. All subjects were employed either full- or part-time with half earning under \$25,000 a year.

Table 1 displays the type and price of products about which the subjects complained along with the existence and speed of corporate replies. Over half of the subjects received responses, three within the same day. The quickest "appropriate" responses were from Internet companies. The subject complaining to the Gap Clothing Co. received an automated reply stating "While we cannot get back to you personally, we do appreciate your input." All subjects receiving responses got them via e-mail except for one: Comp USA sent its response via "snail mail." It is surprising that an Internet company would use the postal service to respond to a consumer e-mail communication. The prices for the products ranged from \$0 to \$990 and 75% of the subjects had not previously purchased the product. It is also interesting to note that both of the computer-related companies responded. These companies are probably more experienced with electronic communication, but their level of customer service experience is unknown.

#### **Consumer Reactions to Corporate Responses**

The second questionnaire, adapted from Hill and Baer (1993), contained eighteen items for consumers receiving e-mail responses and 14 items for those without

responses. Item responses were coded on a seven point scale anchored by 1, "not at all," to 7, "very much so." Hill and Baer conducted a principal components analysis on the statements and found items 1-10 to form a customer satisfaction dimension ( $\alpha = .96$ ), and items 11-14 to form a customer credibility dimension ( $\alpha = .91$ ).

The mean scores for the response and non-response groups are displayed in Table 2. These figures were obtained by calculating the summated mean scores on each scale for the response and non-response groups, then dividing by the number of items for each group. Two subjects were omitted from this analysis due to missing data. As expected, the satisfaction rate of those who received a response is much higher than the score for those who did not receive a response. Similarly, those receiving replies gave the offending company slightly more credibility than those with no response to their complaint. It is important to note that nearly half of the subjects receiving responses had previously purchased the product. Although many other analyses could be undertaken, we do not want to take any more liberties with such a small sample. The present pilot study served primarily to guide the actual study.



**Table 2**  
**Effects of Corporate Responses**  
**(Average Scores)**

<b>Response Measure</b>	<b>Reply</b>	<b>No Reply</b>
Satisfaction with response	4.5	1.9
Company Credibility	6.4	5.9

**CONCLUSION**

This pilot study was conducted to explore the effects of corporate responses to consumer e-mail complaints. Following postal letter complaint studies, the results show that consumers who receive replies are more satisfied with the offending firm than those who do not receive responses. Additionally, half of the subjects received e-mail responses within 3 days, clearly faster than postal communication responses. Based on this limited pilot study, some firms handle consumer communication via e-mail well and some do not. MSN Internet Service, Oldsmobile and SRI were quite responsive electronically. The Gap allows for e-mail communication but it might be advised to take the feedback option off its Web site unless it is willing to provide appropriate responses to complaints. One can only hypothesize about why Comp USA Internet sent a postal response to the e-mail complaint: perhaps the complaint was referred to someone who preferred this medium.

Twenty percent of the original ten subjects were unable to locate e-mail addresses for offending companies, even with the researcher's assistance. Several others who wanted to participate in this study had a similar experience. Since most companies maintain Web sites, it seems that some have removed the feedback option due to their decision not to staff for e-mail responses. Gerber, Johnson & Johnson, General Motors Saturn Unit, Structure Clothing Co., and Apple Computer Corp. are just a few who do not provide a mechanism for e-mail with consumers. Apple Computer notes that it provides customer support on its toll free hotline because it can route common inquiries to prerecorded answers, but e-mail inquiries are more labor intensive. Steve Franzese, Apple's interactive marketing vice president, says "Apple doesn't have a religious aversion to

answering someone's question at a keyboard, the issue is how do you do it economically (Weber 1996, p. B11)?" It appears that for some firms the decision to avoid e-mail with consumers is based on the cost of staffing a function that requires quick action to maintain customer satisfaction.

The absence of corporate e-mail addresses is one reason for the difficulty in recruiting student subjects for this study. There are other subject-recruitment problems to consider for future research on this topic. First, many students do not have, or are not proficient with, e-mail accounts. Second, without a product package it is difficult to identify the owner of a brand or service. Many potential subjects could not find an appropriate Web site for complaint because of this product identification problem. Finally, the researcher was involved in a similar postal complaint study at a private university, and noted that private school students had many more complaints and more time to set them to paper than did students in a commuter state university environment. The actual study must overcome these problems or settle for another methodology. One solution is for the researcher to send ingenuine complaints to corporations: however, this raises ethics issues. Naturally, this approach, or the idea of sending simple e-mail questions is workable but the customer satisfaction dimension is lost.

It is timely for customer satisfaction research to be applied to electronic communication. The rapid growth both of organizational Web sites and consumer adoption of the Internet indicates a customer service opportunity many firms are currently realizing. Future research can replicate much of the postal complaint work to determine appropriate uses of e-mail communication with consumers.

---

## REFERENCES

- Associated Press (1997), "Online Suggestion Box in California," (Sept. 22).
- Blodgett, Jeffrey G. and Donald H. Granbois (1992), "Toward and Integrated Conceptual Model of Consumer Complaining Behavior," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 5, 93-104.
- Cyberatlas (1997), "Welcome to Cyberatlas," (Oct. 1)  
URL: [www.cyberatlas.com](http://www.cyberatlas.com)
- Fornell, Claes and Birder Wernerfelt (1987), "Defensive Marketing Strategy by Customer Complaint Management: A Theoretical Analysis," *Journal of Marketing Research*, 24, (November), 337-346.
- Goodwin, Cathy and Ivan Ross (1990), "Consumer Evaluations of Responses to Complaints: What's Fair and Why," *Journal of Services Marketing*, 4, (Summer), 53-61.
- Hill, Donna and Robert Baer (1993), "Excuse Making: A Prevalent Company Response to Complaints?" *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*.
- Hoffman, Donna and Tom Novak (1995), "Marketing in Hypermedia Computer-Mediated Environments: Conceptual Foundations," "Working Paper No. 1, Vanderbilt University, URL: [www2000.ogsm.vanderbilt.edu/](http://www2000.ogsm.vanderbilt.edu/)
- Plymire, Jerry (1991), "Complaints as Opportunities," *Journal of Services Marketing*, 5, (Winter), 61-65.
- Weber, Thomas (1996), "Simplest E-Mail Queries Confound Companies," *Wall Street Journal*, (October 21), B1.

# RETIREMENT AND THE NATURE OF YOUR WORK: DO THEY AFFECT YOUR COGNITIVE PROCESSES LATER IN LIFE?

*Rob Montgomery, University of North Carolina Pembroke*  
*Ronald D. Taylor, Mississippi State University*  
*Mark Andrew Mitchell, University of South Carolina Spartanburg*

---

## ABSTRACT

*This study examines the impact of retirement and occupation on the cognitive processes of the elderly. Specifically, advertising stimuli are used to test memory function as measured by aided recall and recognition. Retirement status was not found to influence memory function. White- and blue-collar retirees exhibited similar recall abilities while white-collar retirees were found to demonstrate a greater degree of recognition with previously exposed stimuli than their blue-collar counterparts.*

---

## INTRODUCTION

A new stream of research has evolved which focuses on the cognitive processes of the elderly. This wave of research has established one clear fact: **An age-related information processing deficit does exist.** Empirical evidence has repeatedly shown that the elderly do not recall (aided or unaided) or recognize stimuli to the same extent as younger adults (see Stephens 1982; Cavanaugh 1983; Hess 1985; Roedder-John and Cole 1986; Cole and Houston 1987; Hess, Donley, and Vandermaas 1989; Cole and Gaeth 1990; and Hess and Tate 1991). What is less clear, however, is "Why do young adults recall and recognize stimuli better than elderly adults?"

## RESEARCH HYPOTHESES

There is some evidence to suggest that retirement acts as a catalyst for the age-related learning decline (Burnett 1989). The work role is a major life role, often central to a person's identity. The termination of this role can cause a person's social world to contract, acting to accelerate the age-related learning decline. Thus, it is proposed that:

**H1: There is no difference in the level of aided recall or recognition between elderly retirees and elderly persons still employed.**

Minkler (1981) found that blue-collar workers had a tougher time adjusting to retirement than white-collar workers given their (often) lesser financial position and loss of more meaningful social contacts. The resultant diminished involvement may accelerate the age-related learning decline. Thus, it is proposed that:

**H2: There is no difference in the level of aided recall or recognition between blue-collar retirees and white-collar retirees.**

## METHODOLOGY

### Variables of Analysis

The dependent variable analyzed in this study is respondent memory as measured by (1) aided recall, and (2) recognition. A description of each dependent variable is provided below.

**Aided Recall.** Aided recall is represented by the retrieval from memory stage of information processing. For this experiment, the product category (shampoo) of the test advertisement was offered as a cue or aid.

**Recognition.** Recognition is knowledge or a feeling that a stimulus has been encountered

before. Recognition is a retention measure that has been shown to minimize age differences among respondents. In this experiment, recognition was measured for the key points of the fictitious shampoo advertisement (i.e., the shampoo ad was for 'brand X', 'brand Y', or 'brand Z') in a three-response-choice format as described by Cavanaugh (1983).

The independent variables are evaluated in this study are (1) retirement status, (2) job type, and (3) activity level. A description of each independent variable is provided below.

**Chronological Age.** Chronological age was controlled at the age of 60 or higher.

**Retirement Status.** Retirement status was measured with a three-choice format in a manner: 'employed full-time', 'employed part-time', or 'currently retired'.

**Job Type.** Respondents indicated their occupation. A post hoc analysis classified the responses as either white-collar or blue-collar occupations.

### Sample Composition

The sample of seniors were drawn from several groups located in the southeastern United States. Targeted groups include churches, PTA, civic clubs, and elderly clubs. A total of 168 questionnaires were administered yielding 146 usable questionnaires for an 87 percent usable response rate.

### Sampling Procedure

The procedure employed in this experiment closely resembles that used by Petty, Cacioppo, and Schumann (1983). Two booklets were designed for the study. The first booklet contained the advertising stimuli while the second contained the independent and dependent measures. On the first page of the portfolio of advertisements it was explained that the study concerned the retention of magazine advertisements (thus increasing the relevance of the material to the audience). Respondents were asked to read the introductory sheet before viewing the advertisements. This introductory sheet gave information about the advertisements that

followed.

The advertisement booklet contained six advertising stimuli broken down as follows: Four real magazine ads for both relatively familiar and unfamiliar products as well as two fictitious advertisements (one used to study treatment effects and a second used to lessen the probability that respondents could identify the treatment fictitious advertisement). To ensure consistency, the third advertisement in each booklet was the treatment fictitious shampoo advertisement. When the subjects completed perusing their advertising booklet, they were given a second booklet containing the self-reported dependent measures (i.e., aided recall and recognition).

### HYPOTHESIS TESTING

The first research hypothesis examines the influence of retirement on respondent memory. Specifically, H1 hypothesized that "**there is no difference in the level of aided recall or recognition between chronologically elderly retirees and chronologically elderly employees.**" MANOVA analysis was used to test research hypothesis one. **Table 1** shows the results of this analysis.

The overall F-value of 1.49 with a p-value of .1796 indicates that there is no difference in the mean vector of aided recall and recognition based on retirement. The F-value for the main effect of retirement status on recall is .61 with a p-value of .6085. Additionally, the F-value for the main effect of retirement status on recognition was 2.43 with a p-value of .0678. These individual F-values indicate that retirement had no impact on aided recall. Based on this series of results, the null hypothesis that there is no difference in aided recall or recognition between retirees and elderly employees cannot be rejected.

The second research hypothesis examined the influence of occupation on respondent memory. Specifically, H2 hypothesized that "**there is no difference in the level of aided recall or recognition between blue collar retirees and white collar retirees.**" MANOVA analysis was used to test research hypothesis two. **Table 2** shows the results of this analysis.

**TABLE ONE**

**MANOVA ANALYSIS: THE EFFECT OF  
RETIREMENT ON RECALL AND RECOGNITION**

Dependent Var.	Independent Var.	F-value	P-value
Overall	Retirement Status	1.49	.1796
Recall	Retirement Status	0.61	.6085
Recognition	Retirement Status	2.43	.0678

**TABLE TWO**

**MANOVA ANALYSIS: THE EFFECT OF  
JOB TYPE ON RECALL AND RECOGNITION**

Dependent Var.	Independent Var.	F-value	P-value
Recall	Job Type	.4500	.5030
Recognition	Job Type	4.3300	.0405

**TABLE THREE**

**PAIRWISE COMPARISONS USING LEAST SIGNIFICANT DIFFERENCES:  
THE EFFECT OF JOB TYPE ON RECOGNITION**

T Grouping	Mean	N	Job Type
A	4.776	67	White Collar
B	4.048	21	Blue Collar

- Means with the same letter are not significantly different

The p-value for the main effect of job type on recall is .5030 indicating that there is no difference in the amount of recall between blue-collar and white-collar retirees. Thus, the null hypothesis that there is no difference in recall between blue-collar and white-collar retirees cannot be rejected. The p-value for the main effect of job type on recognition is .0405 indicating

statistical significance. The post hoc pair-wise comparisons show that white-collar retirees recognized significantly more than blue-collar retirees. This result was found regardless of how stringent the test. Thus, the null hypothesis that there is no difference in the level of recognition between blue-collar and white-collar retirees is rejected.

Further evaluating H2, **Table 3** contains the results of the Least Significant Differences (LSD) pairwise comparisons for the effect of job type on recognition. The results indicated that white-collar retirees recognized significantly more than blue-collar retirees. When more stringent tests were employed (i.e., Tukey, Bonferroni, and Scheffe), a significant difference was still detected.

## DISCUSSION

The first hypotheses examined the influence of retirement on respondent memory. Retirement was not found to impact a person's unaided recall or recognition (though the recognition p-value was close to statistically significant). It seems a person's cognitive processes are not affected by whether they continue to work or have retired after the age of sixty. Thus, the adage "working keeps me sharp" may not hold true as no differences were found between the two groups (older workers and retirees).

The second research hypothesis examined the influence of occupation on respondent memory. It was determined that recall is not influenced by a person's occupation when analyzed as blue-collar or white-collar occupations. However, differences were identified in level of recognition between blue-collar and white-collar retirees. The adjustment to retirement may be more difficult for blue-collar employees, possibly due to a lesser degree of financial preparedness and the loss of the

critical social network of the work environment. This difficult adjustment to retirement may accelerate the cognitive decline in blue-collar retirees. It has been previously established that white-collar retirees tend to have a greater degree of satisfaction with retirement than blue-collar retirees (see Minkler 1981).

## IMPLICATIONS

An important finding of this study is that retirees who stay cognitively active recall significantly more material than retirees who are not as cognitively active. As such, marketing strategy (such as advertising) aimed at more active seniors should be more successful given the greater likelihood of consumer recall over time.

For example, cognitive activity could be used as a segmentation variable (i.e., cognitively active versus cognitively inactive). Further, more complex information can be incorporated into advertising aimed at active seniors given their enhanced recall ability. A second important finding of this study is that white-collar retirees recognized significantly more than blue collar retirees. The increased amount of stress felt by blue-collar workers during retirement might have an impact on this recognition deficit. This may have implications for marketers attempting to cultivate brand recognition and brand equity with blue-collar retirees in that they exhibited lower recognition levels. Intuitively, white-collar retirees are more likely to recognize brand images projected into the marketplace than their blue-collar counterparts.

## REFERENCES

- Cavanaugh, John C. (1983), "Comprehension and Retention of Television Programs by 20- and 60-Year Olds," *Journal of Gerontology*, Vol.38, No. 2, 190-196.
- Cole, Catherine A. and Gary J. Gaeth (1990), Cognitive and Age-Related Differences in the Ability to Use Nutritional Information, in a Complex Environment," *Journal of Marketing Research*, Vol. XXVII, May, 175-184.
- Cole, Catherine A. and M.J. Houston (1987), Encoding and Media Effects on Consumer Learning Deficiencies in the Elderly," *Journal of Marketing*, Vol. XXIV, 175-184.
- Hess, Thomas M. (1985), "Aging and Context Influences on Recognition Memory for Typical and Atypical Script Actions," *Developmental Psychology*, Vol. 21, No. 6, 1139-1151.
- Hess, Thomas M. and Carol Satterfield Tate (1991), "Adult Age Differences in Explanations and Memory for Behavioral Information," *Psychology and Aging*, Vol. 6, No. 1, 86-92.

- Hess, T.M., J. Donley, and M.O. Vandermaas (1989), "Aging-Related Changes in the Processing and Retention of Script Information," *Experimental Aging Research*, Vol. 15, No. 2, 89-96.
- John, Deborah Roedder and Catherine A. Cole (1986), "Age Differences in Information Processing: Understanding Deficits in Young and Elderly Consumers," *Journal of Consumer Research*, Vol. 13, December, 297-314.
- Minkler, Meredith (1981), "Research on the Health Effects of Retirement: An Uncertain Legacy," *Journal of Health and Social Behavior*, Vol. 22, June, 117-130.
- Peter, J. Paul and Jerry C. Olson (1994), *Understanding Consumer Behavior*, Burr Ridge, IL: Irwin Publishing Company.
- Petty, Richard E., John T. Cacioppo, and David Schumann (1983), "Central and Peripheral Routes to Advertising Effectiveness: The Moderating Role of Involvement," *Journal of Consumer Research*, Vol. 10, (September), 135-146.
- Roedder, D.L. (1981), "Age Differences in Children's Responses to Television Advertising: An Information Processing Approach," *Journal of Consumer Research*, Vol. 8, 144-153.
- Stephens, Nancy (1982), "The Effectiveness of Time-Compressed Television Advertisements With Older Adults," *Journal of Advertising*, Vol. 11, No. 4, 48-55.

# BUYING DECISIONS USING REFERENCE POINTS: THE ROLE OF SOCIAL COMMUNICATION

Rajesh Iyer

---

## ABSTRACT

*The buying decision process ranks high among the most studied aspects of consumer behavior. Analyses of decision making commonly distinguishes between risky and riskless choices. Factors that influence these value judgments are of considerable interest to researchers who study the buying decision process. One of the factors may be the standard of comparison, i.e., the point of reference against which the various decision alternatives are compared. Reference points are important because other outcomes are compared to them, and are coded and evaluated in terms of this comparison. This paper attempts to extend the variables the conceptual model of Puto (1987) by including the role of social communication in the buying decision process and its effect on the reference point of the buying decision.*

---

## INTRODUCTION

The value that the consumer perceives the service or product as having is hypothesized to be a function of many variables including its quality, price, and cost of acquisition and use to the consumer. The consumer's perception of this is important because it is considered to be an integral component of the purchase decision process. Products or services that are not perceived to meet the basic criteria established by the potential buyer will be deleted from the choice set utilized in the final purchase decision. Making decisions is like speaking prose--people do it all the time, knowingly or unknowingly. Therefore, it is hardly surprising that the topic of decision making is shared by many disciplines, from mathematics and statistics, through economics and political science, to sociology and psychology. The study of decisions addresses both normative and descriptive questions. The normative analysis is concerned with the nature of rationality and the logic of decision making. The descriptive analysis, in contrast, is concerned with people's beliefs and preferences as they are, not as they should be. The tension between normative and descriptive considerations characterizes much of the studies of judgment and choice (Kahneman and Tversky, 1984).

The buying decision process ranks high among the most studied aspects of consumer behavior. Analyses of decision making commonly distinguishes between risky and riskless choices. Factors that influence these value judgments are of considerable interest to researchers who study the buying decision process. One of the factors may be the standard of comparison, i.e., the

point of reference against which the various decision alternatives are compared. Reference points are important because other outcomes are compared to them, and are coded and evaluated in terms of this comparison.

Given that the reference point is the factor that the consumer uses to form a perspective on a buying decision, it is desirable for the marketer to learn more about the concept including how it is determined and what its relationship is to other variables in the consumer's decision-making process. It is the objective of the paper to provide an overview of the topic of reference points and present some current ideas and perspectives on its relationship with other major variables in the buying decision framework. In this paper, reference points are defined as the point or the stage at which the decision maker reviews the alternatives available for decision making.

## Reference Points and Decision Frames:

The concept of a reference point has its roots in the basic principles of perception and judgment. The human perceptual mechanism appears to be tuned to the evaluation of changes or differences rather than to the evaluation of absolute magnitudes. When individuals make a judgment, they must first establish a standard of comparison or reference point which the evaluations are rendered. Helson (1964) states that, the past and present context of experience defines an adaptation level (or reference point) relative to which incoming stimuli are perceived and compared. Alternatives that exceed the reference point create positive decision frames (i.e., gains) and alternatives that fall short of the reference



point create negative decision frames (i.e., losses). By varying the reference point, it is possible to create positive and negative frames for the same set of alternatives.

Empirical research (Puto, 1987; Weiner, Gentry and Miller, 1986) suggests that decision reference points can be manipulated and measured experimentally. For example, Puto (1987) used either an increasing or decreasing price trend, a difficult-to-achieve or an easy-to-achieve budget, and a gain or a loss message in a sales letter to manipulate the decision reference points of industrial buyers. These results showed each of these factors to be a significant determinant of the reference point. Moreover, reference points thus manipulated were significant predictors of the buyers subsequent choice of suppliers in a hypothetical buying situation.

In each of Puto's (1987) experimental conditions, the resultant choices were consistent with the predictions of prospect theory. That is buyers whose reference points produced a positive (i.e., gain) decision frame tended to chose the supplier whose offer represented the least risk, whereas buyers whose reference points produced a negative (i.e., loss) decision frame tended to chose the riskier alternative.

#### **Prospect Theory:**

The location of the reference point affects the coding of outcomes as gains and losses. This coding, in turn, affects preferences because of characteristic differences in the evaluation of positive and negative outcomes. Decision frames and resultant choices are closely tied to prospect theory. The study of behavioral decision making has evolved under two broad research paradigms: riskless choice, in which the outcomes are known with certainty, and risky choice, which involves probabilistic outcomes (Abelson and Levi, 1985).

Prospect Theory (Kahneman and Tversky, 1979) pertains to the factors affecting the outcome of risky choice decisions. It is a descriptive extension of the expected utility theory (von Neumann and Morgenstern, 1944), a theoretical framework long used by economists and decision scientists both to describe how individuals make decisions and to prescribe how they should make decisions. Central to prospect theory is the proposition that the choice process has a two distinct stages, an editing stage and an evaluation stage. In the editing stage, the decision maker restructures, or frames, the decision

problem into a more simplified form, such as a choice among simple prospects. A key aspect of this editing stage is that the prospects are derived by comparing each outcome with its deviation from some reference point held in the mind of the decision maker. The reference point serves as the zero point on this scale of comparison and each outcome then is seen as a gain or a loss from that reference point. In the evaluation stage, the decision maker assigns a value to each of the edited prospects and chooses the one with the highest value.

There is considerable similarity between prospect theory and expected utility theory. However, to account for the many violations of the von Neumann and Morgenstern axioms frequently reported in empirical tests involving expected utility theory (cf. Shoemaker, 1982), one must assume that the value function applies to gains and losses rather than final states and that the decision weights modify rather than coincide with stated probabilities.

The hypothesized form of the value function suggests that the individuals tend to make choices that are risk averse for gains but risk taking for losses. Gains and losses, however, are determined by the reference point and currently very little is known about how reference points are formed. In fact, the original presentation of prospect theory is mute with respect to the formation of reference point. This omission was not a problem during the early stages of the theoretical development because the first studies centered on decision problems with explicit, unequivocal reference points (cf. Kahneman and Tversky, 1979). This paper extends Puto's (1987) model by addressing the role of social communication in the buying decision process.

#### **Loss Aversion:**

Loss aversion refers to the discrepancy between the valuation of gains and losses, which is captured by a value function that is steeper in the negative than in the positive domain. In the context of risky decisions, loss aversion entails a strong reluctance to accept gambles on the toss of a coin, unless the payoffs are extremely favorable: most subjects will only accept such a gamble if the gain/loss ratio exceeds 2:1. In the context of riskless choice the concept of loss aversion has been formalized in terms of the effects of a shifting reference point on indifference curves (Kahneman, Knetsch and Thaler, 1991). The general principle is straightforward: when an option is compared to the reference point, the comparison is coded in terms of the advantages and disadvantages of that option.

### **Multiple Reference Points:**

Studies of framing effects have been couched in terms of the adoption of one reference point or another. One of the important implications of framing effects is that people are usually unaware of the possibility that their views of a problem might change with a different formulation--for example, that risk aversion could be replaced by risk seeking when the same problems were framed in terms of losses than gains (Puto, 1987). There are situations in which people are aware of the multiplicity of relevant reference points. Questions raised about how consumers experience such outcomes and think about them is of interest to the academician as well as has practical marketing implications for the marketing managers.

### **CONCEPTUAL MODEL OF THE BUYING DECISION FRAMING PROCESS**

Puto (1987) developed a conceptual model that provided a framework of the buying decision process. The purpose of this model was in identifying the major factors influencing the structure of the reference point formation and decision framing processes. The author contends that the sequence of events was assumed for expository purposes and there was no attempt to infer that other consequences would not be equally unacceptable.

The decision framing model has its roots in the basic principles of perception and judgment. In psychophysical perception, the past and present context of experience defines an adaptation level, or initial reference point, relative to which incoming stimuli are perceived and compared (Helson, 1964). This reference point represents the psychological neutral point on the dimensions of judgment. As new stimuli are encountered they are judged in relation to the initial reference point and then are combined with receding stimuli to form a new reference point to be used in judging additional stimuli.

This model posits that buyers approach a purchase with a set of expectations about the performance of the item being purchased and a set of specific buying objectives. The initial reference point is arrived at through the information search process and a basic set of expectations and objectives. Once the initial reference point has been set, the buyer then evaluates the options that he can afford in the choice set. Once the options are examined, the initial reference point becomes the final reference point. All alternatives framed as either gains or losses are evaluated against this point. The final reference point is modified from the initial reference point through additional information such as supplier's sales

message or by the buyer's need to justify the particular choice decision.

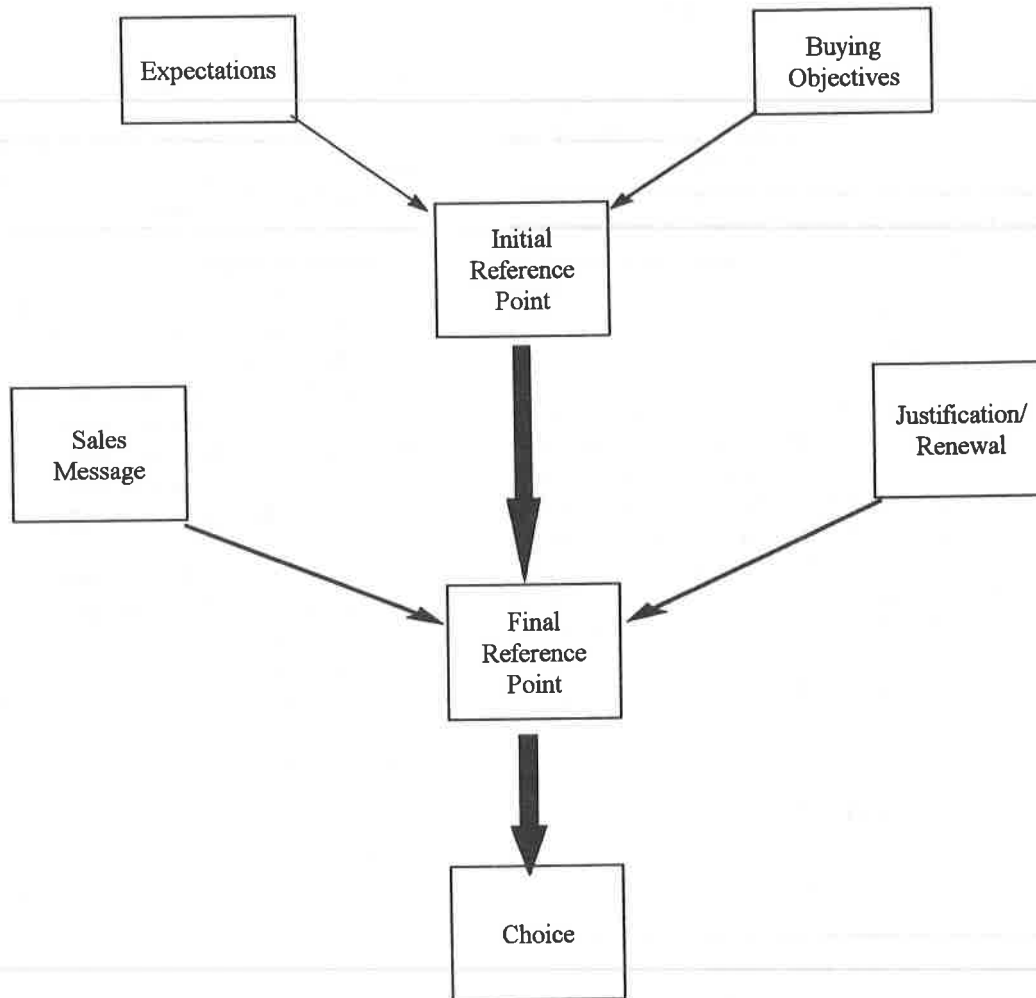
Puto (1987) conducted an empirical study to check to see whether the reference points could be shifted. He checked to see if the initial reference point had any influence on the final reference point. The results of his study indicated the following:

1. Results indicated that the initial reference point has a substantial influence on the final reference point.
2. Results indicated that the final reference point appeared to have the ultimate influence on the probability of choosing the guaranteed alternative.

Puto (1987) concluded the following with his study that decision makers are risk averse in potential gain situations and risk taking in potential loss situations and that decisions are made with respect to a reference point and not to an absolute value -- reference. He found that reference points could be shifted. Research in the past had addressed the issue only on paper. There were no surveys or lab experiments or field studies to support their arguments regarding the buying decision framework. The study conducted by Puto, was a breakthrough in understanding and measuring the consumer's reference point in a buying situation. Puto (1987) argues that using the key words "gain" or "loss" is sufficient to produce shifts in some buyers' final reference points.

This was the only conceptual model ever that used the consumer buying decision framework developed to measure reference points. Empirical research by Puto (1987); Weiner, Gentry and Miller (1986) suggest that decision reference points can be manipulated and measured experimentally. In all of the studies it was found that the reference points that were manipulated were significant predictors of the buyer's subsequent choice of suppliers in a hypothetical buying situation.

Two factors that were not investigated by Puto but which were potentially important mediators of the buyer's decision frame were the individual buyer's predisposition toward risk (risk attitude) and factors specific to the industrial buyer's work situation. The risk factor attitude has been conceptualized using the work by Huber and Puto (1985) that suggests that individual decision makers have a basic predisposition or attitude toward taking risks, which for some individuals remains invariant across choice contexts. The second factor was



embodied under the organizational climate construct. This was defined as the set of perceptions held by the individual in an organization that reflect the extent to which the expectations of the organization are defined.

Qualls and Puto (1989) by extending Puto's (1987) model suggest that, in a controlled experiment, any factor that highlights a particular target or objective seems capable of establishing a reference point and subsequently creating a decision frame. Based on this comment, it was felt that the model proposed by Puto (1987) could be extended by including the role of social communication. The following section addresses the role of communication in the buying decision process.

#### **The Importance of Communication:**

One of the most pervasive determinants of an individual's behavior is the influence of those around him. This social influence has generally been referred to as conformity and looked upon as the relatively simple act of going along with or agreeing with a visible majority. According to Burnkrant and Cousineau (1975), individuals will infer unobservable characteristics of the focal "object" from the observed behavior of others with respect to the "object". It seems likely that the observed behavior of others with respect to the "object" will be informative about the "object".

A communication is the means by which

messages get from one individual to another. The nature of the information-exchange relationship between the pair of individuals determines the conditions under which a source will or will not transmit the information to the receiver, and the effect of the transfer (Rogers, 1983). Mass media channels are more effective in creating knowledge about products, whereas interpersonal channels are more effective in forming and changing attitudes towards the idea, and thus influencing the decision to adopt or reject a new idea. Most individuals evaluate a buying decision, not on the basis of scientific research by experts, but through subjective evaluations of near-peers who have adopted the product. The near-peers thus serve as social models, whose innovation behavior tends to imitated by others in their system (Burnkrant and Cousineau, 1975; Rogers, 1983).

All buying decisions carry some degree of uncertainty for the individual, who is typically unsure of the new idea's results and thus feels a need for social reinforcement of his or her attitude towards the idea. The individual wants to know that his or her thinking is on the right track in the opinion of his or her peers. Mass media messages are too general to provide the specific kind of reinforcement that the individual needs to confirm his or her beliefs about the product. Therefore, it can be expected that social communication exists during the adoption of a buying decision (Rogers and Shoemaker, 1971).

### **SOCIAL INFLUENCE**

Deutsch and Gerard (1955) have distinguished two types of social influence. They refer to informational influence as the "influence to accept information obtained from another as evidence about reality", i.e., as evidence about the true state of some aspect of the individual's environment.

An informational social influence would be accepted if it is perceived as being instrumental to the solution of some problem confronting the individual or because it supports or adds to what the individual already believes about some salient aspect about his environment (Kelman, 1961). Kelley (1967) suggests that the evaluations people make about an object should be informative about that object to the extent that these evaluations are in agreement. A normative social influence may be accomplished through either the process of compliance or identification. If the individual is motivated to realize a reward or avoid a punishment mediated by another, the individual would be expected to conform to the influence of that other. The individual, in

a product evaluation situation would be expected to comply with prior evaluations of others only where his evaluation is visible to others who are perceived by him as mediators of significant rewards or punishments (Burnkrant and Cousineau, 1975).

### **Communication of Ideas:**

At the decision stage of whether to adopt the product, the individual is motivated to seek **product-evaluation information**, which is the reduction in uncertainty about a product's expected consequences. An individual usually wants to know the consequences of adopting the product. This type of information, while often easily available from scientific evaluations of product characteristics, is usually sought by most individuals from their near-peers whose subjective opinion is most convincing (Rogers, 1983). Rogers (1983) says that "When someone like ourselves tells us of their positive evaluation of a new idea, we are often motivated to adopt it".

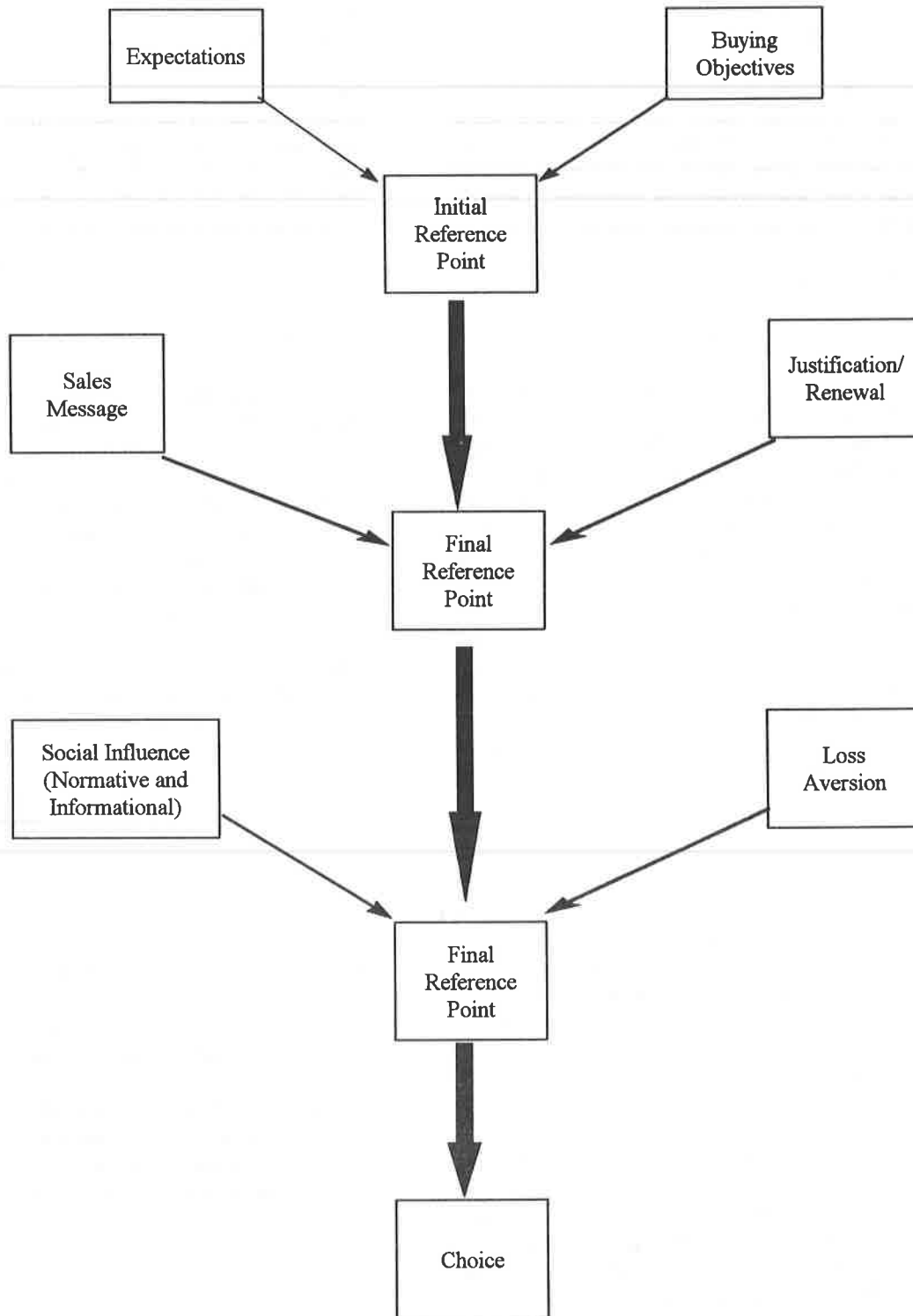
Information that creates awareness-knowledge of an innovation seldom comes to individuals from a source or channel of communication that they actively seek. Information about a new idea can only be actively sought by individuals (1) after they are actively aware that the new idea exists, and (2) when they know which sources or channels can provide information about the innovation. At the decision stage of adoption, near-peer networks are the major sources or channels of communication about the innovation (Rogers and Shoemaker, 1971). Communication patterns are universal in nature. It is important to know what kind of forces influence in the interpersonal communication amongst people.

### **SOCIAL NETWORKS AND PERSONAL COMMUNICATION NETWORKS**

Individuals construct personal social networks by associating with some persons and disregarding others. They tend to build networks composed of others similar to themselves in background, position, personality, and way of life (Blau, 1974; Katz and Lazarsfeld, 1955). Fischer (1982) contends that in building networks, "we are constrained by the pool of people available information; by our own personalities; by society's rules and by social pressure. But the most severe constraints are posed by the social contexts in

New Proposed Conceptual Model of the Buying Decision Framing Process

---



which we normally participate.” He explains that, while initial relations are given (parents and close kin) and other relations may be imposed (e.g., fellow workers and in-laws), over time we “decide whose company to pursue, whom to ignore or to leave as casual acquaintances, whom to neglect or break away from.”

The range of choice which people have in building relationships varies. For each person, social structure influences the formation of a general or broad social network [also called the extended network (Epstein, 1969) and ego-network consisting of friends, family co-workers, and casual acquaintances. A primary social network is developed from this broader network. This primary social network, which Epstein (1969) terms the effective network, is comprised of those associates to whom the person is more closely linked.

While individuals may interact with people they have not previously encountered, to a considerable extent, Word-Of-Mouth (WOM) occurs in existing social networks and is constrained by social structures, i.e., interactions are most likely to occur when individuals engage in established patterns of activity with others with whom they have existing relationships. Such communication involves a process of exchange and some measure of mutual understanding (Gatignon and Robertson, 1986). As communication on a given topic (e.g., lawn care services) spreads in a social network, patterns of interaction develop and create subsets of interconnected individuals linked by flows of shared information. These subsets are personal communication networks consisting of directly connected individuals who

are linked by patterned communication flows to a focal individual (Rogers, 1983).

Based on this information available, the new model is proposed which will consider the role of social communication, which includes normative as well as informational influences, in the buying decision process. It was felt that an empirical study using this factor would strongly increase our understanding about the consumers' buying decision process. It would be interesting to study which kind of social influence (normative or informational), has a significant influence on the buying decision process. The agenda for future research would include gathering data and determining the impact of these variables.

#### Significance of this Study:

By examining the buying behavior and the role of interpersonal communication, marketers can focus on new strategies that need to be undertaken while introducing new products into the market. From a psychological point-of-view, one can investigate the consumer characteristics and learn about buyer behavior. From a marketing standpoint, by examining buyer behavior, marketers can build appropriate strategies for targeting their potential market segments. By understanding the role of social influence, marketers can identify the opinion leaders in the social system and understand their role and importance in the marketplace. By understanding social communication we can be in a position to establish causality in a definitive manner.

---

#### REFERENCES

- Abelson, R.P, and Ariel Levi (1985). “Decision Making and Decision Theory.” in the *Handbook of Social Psychology*, 3, G Lindsey and E. Aronson, eds. New York: Academic Press, Inc., 231-309.
- Blau, P. (1974). “Parameters of Social Structure.” *American Sociological Review*. 39, 615-35.
- Burnkrant, R.E. and Cousineau, A. (1975). “Informational and Normative Influence in Buyer Behavior.” *Journal of Consumer Research*. December, 206-15.
- Deutsch, M. and Gerard, H.B. (1955). “A Study of Normative and Informational Social Influences Upon Individual Judgment.” *Journal of Abnormal and Social Psychology*. 51, 629-36.
- Epstein, A.L. (1969). “The Network and Urban Social Organization.” in *Social Networks in Urban Structures*, ed., Clyde Mitchell, University of Manchester: The University Press. 77-116.

- Gatignon, H. and Robertson, T. (1986). "An Exchange Theory model of Interpersonal Communication." in *Advances in Consumer Research*. 13, ed. Richard Lutz, Provo, UT: Association for Consumer Research, 534-38.
- Helson, H. (1964). "Adaptation Level Theory." New York: Harper and Row.
- Huber, J and Puto, C. (1985). "Using Simple Gambles to Predict Complex Choices: A Test of Prospect Theory's Reflection Effect." working paper, Duke University.
- Kahneman, D. and Amos Tversky (1979). "Prospect Theory: An Analysis of Decision under Risk." *Econometrica*. 47, 263-91.
- \_\_\_\_\_ (1984). "Choices, Values and Frames." *American Psychologist*. 39, 341-50.
- Kahneman, D., Knetsch, J. and Thaler, R. (1986). "The Endowment Effect, Loss Aversion, and Status Quo Bias." *Journal of Economic Perspectives*. 5, 193-206.
- Katz, E. and Lazarsfeld, P.L. (1955). "Personal Influence." New York: The Free Press.
- Kelley, H.H. (1967). "Attribution Theory in Social Psychology." in David Levine (ed.), Nebraska Symposium on Motivation, Lincoln, Nebraska, University of Nebraska Press.
- Kelman, H.C. (1961). "Processes of Opinion Change." *Public Opinion Quarterly*. 25, 57-78.
- Puto, C.P. (1987). "The Framing of Buying Decisions." *Journal of Consumer Research*. 3, 301-15.
- Qualls, W.J. and Puto, C. (1989). "Organizational Climate and Decision Framing: An Integrated Approach to Analyzing Industrial Buying Decisions." *Journal of Marketing Research*. 26, 179-92.
- Rogers, E.M. (1983). "Diffusion of Innovation." 3rd ed., New York: Free Press.
- \_\_\_\_\_ and Shoemaker, F.L. (1971). "Communication of Innovations." New York: Free Press.
- Shoemaker, P.J.H. (1982). "The Expected Utility Model: Its Variants, Purposes, Evidence and Limitations." *Journal of Economic Literature*. 20, 529-63.
- VonNeumann, J. and Morgenstern, O. (1944). "Theory of Games and Economic Behavior." Princeton, NJ: Princeton University Press.
- Weiner, J.L., Gentry, J and Miller, R. (1986). "The Framing of Insurance Purchase Decision." *Advances in Consumer Research*. 13, 251-6.
- Puto's (1987) Proposed Conceptual Model of the Buying Decision Framing Process

# IS IT TIME TO RE-THINK CHANNELS MANAGEMENT IN LIGHT OF PRODUCT AND PACKAGING DISPOSAL ISSUES?

*James B. Spalding, Jr., Bellarmine College*  
*Jim L. Grimm, Illinois State University*  
*Bennett L. Rudolph, Grand Valley State University*

---

## ABSTRACT

*Consuming society's demand for the designed-in convenience of products and their packaging is leading to problems of accumulating waste, as buyers dispose of products and packaging materials they no longer need or value. This paper addresses the growing problems, and the challenges concomitantly posed for channels management.*

---

## INTRODUCTION

Channels of distribution, traditionally understood as flows of products, as well as of ownership, risk, financing, and communications, from manufacturers to consumers or industrial buyers, frequently through wholesale and retail levels of middlemen, are sometimes extended, interrupted for form changes, and even reversed. Shifting patterns of modern life are causing more unconventional channel extensions and redirections, in resale of products; discard and salvage of products and packages; recycling or remanufacturing of products; and trade-ins, returns, and recalls of products and packages in reverse flows.

Consideration of product disposition is not new: it is found in Alderson's 1950s comprehensive theory of marketing (1957), and recognition of product disposal as a problem for business and society began to build by the 1970s and early 1980s, covering waste disposal and recycling, product recalls, the "fencing" of stolen goods, etc., in the context of developing institutions and the need for broader channels views (see Grimm and Spalding 1980). The disposal of products no longer used or valued continues to grow as a distribution channels problem. Five years ago, it was estimated that in this country over 180 million tons of trash, plus 10 billion tons of industrial waste, are thrown out each year ("Kentucky Citizen Action" 1992). That accounts for more than one-fourth of the world's trash, and is expected to increase by 150 per cent by the year 2010. Americans in opinion polls see environmental concerns, of which waste disposal is a large and integral component, as the nation's fourth priority, and something that they both need and want to

know more about (Kjølhed 1991). The U.S. General Accounting Office has reported that 44 per cent of citizens surveyed "strongly supported a national deposit law, with another 26 per cent saying they would 'somewhat support' the idea" (Grassy 1992).

## PRODUCT DISPOSAL AS EXTENDERS OF DISTRIBUTION CHANNELS

Americans have become notorious for the rate at which they discard used and unwanted materials. Two billion razors and razor blades also are thrown out yearly by Americans, and 18 billion diapers, 1.6 billion pens, 350 million gallons of motor oil, 220 million tires, and 20 billion pounds of plastics (Kjølhed 1991). Yet the main element in landfills, some 14 per cent of the total, is discarded newspapers. Discarded tires receive little retreading or other processing, leaving over 80 per cent (almost 200 million annually) needing to be landfilled, stockpiled, or illegally dumped (Martin 1991). Used and discarded automobile batteries present even greater disposal problems, as they leak into landfills and into groundwater supplies (Austin 1991). Plastic products' much-vaunted durability makes them virtually indestructible, whether eyeglasses, toothpaste tubes, underwear, automotive parts, human hearts, plastic money (in Australia), or myriad forms of packaging. Plastic refuse accounts for some 10 per cent of the country's garbage total. It is largely because of indestructible plastics accumulation that our municipal solid waste dumps are being overrun, so much so that over 40 per cent of the dumps are expected to be filled and then required to close (Lawren 1990). Major consumer appliances represent another category of



discarded products which are causing landfills to overflow: over 50 million stoves, refrigerators, and other "white goods" appliances will have been discarded in the U.S. by 2000 (Breen 1990). Overall, it is reckoned that not more than 10 per cent of household hazardous wastes is properly treated (Kjohlhede 1991).

A further complication is that the discarded waste of one locality often flows elsewhere. Forty-three states and the District of Columbia in 1989-90 found themselves unable or unwilling to dispose of their own trash and shipped 15 million tons of garbage to other states and countries for disposal ("Garbage Shipping . . ." 1991), creating an international trash trade. U.S. waste paper is exported to Japan, South Korea, and Taiwan (Rumble 1992). Similarly, goods that are outlawed in one market may still have marketable value in other markets and flow to them. Leaded gasoline usage in Third World countries results from export of tetraethyl lead by U.S. manufacturers who are not allowed to sell it domestically because of its hazardousness (Bruno 1991). Some pesticides banned in the U.S. have gone to Poland, one of the Eastern European countries finding ecological cleanup slowed by recent economic and political changes (Carothers 1991); the Greenpeace organization reported "64 waste deals involving 13 countries," from 1988 through 1990 in Poland ("Poles Raze . . ." 1991, p. 23). Discarded batteries that are no longer welcome in U.S. distribution channels are shipped to Taiwan, and from there to mainland China, some reprocessed for further use, but many often discarded into less regulated dump environments that pose health hazards (Breen 1991). One writer has asked if we will require five or six Earth-sized planets to serve as our mines and garbage dumps (Sachs 1990).

For many products, their routine operation generates fumes and gases which pollute the atmosphere and endanger the environment of all of society. Gasoline that fuels automobiles is estimated to be involved in more than half of the cancer incidence caused by toxic chemicals ("Your Car . . ." 1991). The tetraethyl lead content of leaded gasolines, largely phased out of use in the U.S. since the mid-1970's, continues to threaten the health and mental development of children and adults in many other parts of the world, most notably in the developing nations (Bruno 1991). Chlorofluorocarbons, used to make and operate a number of products, are increasingly indicted by scientists for creating growing holes in the planet's atmospheric layer that screens ultraviolet rays (Weiskopf 1992).

## **PACKAGING WASTE A CHANNELS EXTENDER**

Packages are designed to contain and/or protect products, to provide information about the contents and uses of products, and to promote identification with prior exposure to products and/or their promotion and often also to enhance buyer convenience in purchase and use of products. Return, reuse, disposal, and recycling of packages' paper, metal, glass, and plastic represent channel flow extensions of their own, and also present problems for business and society. Almost 10 per cent of U.S. food store revenues pays for packaging costs; the amount spent for food packages exceeds farmers' net income. Fully a third of total U.S. wastes is made up of package materials: 48 per cent paper, 28 per cent glass, 13 per cent plastics, six per cent steel, two per cent aluminum. Americans discard 25 billion polystyrene foam packages each year. Less than two-thirds of 49 billion aluminum soft drink cans is recycled annually (leaving 100 million cans per day to go to dumps), 33 per cent of 4 billion bi-metal cans, 29 per cent of 8 billion plastic containers, and 20 per cent of 9 billion glass bottles (Kjohlhede 1991; "Hard Numbers . . ." 1992; Grassy 1992).

## **MANAGING EXTENDED CHANNELS BY REUSE AND RECYCLING**

Products' lives are sometimes extended by refurbishment, renewal, replacement of some parts, or even transformation into completely different products. Refurbishment of a discarded or "used-up" product can result in such economies as a remanufactured auto starter costing as little as 15 per cent of new price; a tire, 67 per cent; a sander-polisher, 50 per cent; a toaster, 93 per cent (Hutchens and Hawes 1985; "Tires and People . . ." 1991). A recycled aluminum can saves energy enough to power a television set for three hours; reusing a glass jar equates to burning a 100-watt light bulb "free" for four hours; collecting and recycling 900 pounds of waste paper "saves" eight trees (Moss 1991).

The recycling possibilities have been mixed, however, for those leading culprits, newspapers, tires, and plastics. Less than a third of newspapers are recycled, and periodic gluts of collected papers adversely affect the economics of the situation, yet recycling is finding encouraging outlet in new processes for conversion to packaging forms previously served by plastics, such as egg cartons (Templeton 1992). Retreading allows the saving of some 75 per cent of the petroleum required to make a new tire, but only about

two per cent of all tires are so recycled. Conversion of old tires to crumb rubber has yielded recycled rubber mats and lumber-like posts, carpet matting and hillside-erosion-control webbing, mulches, oil-spill sponges, and a number of other products, while efforts continue in composting tires. Plastic products' recycling has been complicated by the material's virtually indestructible character; although only about one per cent is recycled (Lawren 1990), progress has been reported in the development of biodegradable classes of plastics, and incineration techniques have been advocated to turn other plastics into reusable ash ("Biodegradable plastics ..." 1992; Lawren 1990).

Individual companies have made notable moves to take responsibility for disposal and recycling of products and packaging. BMW has declared its intention to offer a car "that will be 100 per cent recyclable, and to have a network in place for its recovery." BMW, Mercedes-Benz, and Volkswagen show recyclers how to disassemble their products for optimum recovery of recyclable components, and then press their subassembly suppliers to use the second-generation materials (Rumble 1992). Several German automobile manufacturers offer to take back their cars for recycling, free of charge ("Any Color ..." 1991), and German law increasingly requires such practice. In the U.S., car makers have adopted coding which is stamped onto plastic components to guide recyclers in sorting materials as they strip junked cars for reprocessing ("Coded Cars ..." 1992). Ford Taurus and Mercury Sable cars are reportedly more than three-fourths recyclable, and the Volvo S40 built in the Netherlands 90 per cent (Lienert 1996). Carpet manufacturer ABC Corporation no longer sells carpet squares, which too often ended up in landfills or unapproved dumping sites; the company now leases the products, assuring their return on expiration of the lease, at which time they are recycled into new products ("Morning Edition" 1997).

McDonald's has moved from packaging concerns to broader recycling and environmentally sensitive decisions, in consultation with the Environmental Defense Fund. After reducing the physical volume of its packaging by some 90 per cent ("Green" 1990), the company has gone on to reusing shipping pallets, composting foam containers and coffee grounds, dropping chlorine-bleached papers, recycling plastic wrap, buying plastic-lumber tables and chairs and other items, and testing reused coffee filters and cups, while also "pushing packaging suppliers to develop lower-waste materials, developing pilot projects and then rolling them out at all 12,000 stores" (Kleiner, 1991, pp.

53-55). Through other collaborations, McDonald's units are using roof panels made of recycled materials, part of its "McRecycle USA" plan, involving the commitment to buy at least \$100 million in recycled plastic materials for restaurant construction and renovation (Rumble 1992).

Large and small firms have taken similar initiatives, many involving packaging waste reduction. Procter and Gamble introduced refill packages of Downy Fabric Softener in 1989, allowing consumers to purchase concentrate in small paper containers, for mixing with water in reusable plastic bottles, and its Spic and Span liquid cleaner is packaged now in containers recycled from soft drink bottles. Convenience stores and other fast food retailers offer coffee and soft-drinks in reusable plastic cups and glasses (Lawren 1990). Toothbrushes are now offered with replaceable heads, in response to the problem that one billion toothbrushes are discarded each year in the U.S. alone. Recyclable PolyBioEthylene bags are now used by grocery stores and college and university bookstores. Copying machines' toner cartridges are now routinely refilled and reused for half the price of new (Mamis 1991). *Business Week* offers to plant a tree for each new subscription entered. California Recycling Company recycles plastics into graffiti-resistant, waterproof building materials ("The Green Scene" 1993).

#### **EXTENDED CHANNELS INVOLVEMENT REQUIRED BY LAW**

Environmentally-friendlier response from marketers may also be secured by law. In Germany, manufacturers are now responsible for the disposal of their products' packages, to the point that a product may be unwrapped and its packaging materials left at the store by the customer, with the producer responsible for collecting it, on the premise that the producer will see to it that the packaging is both minimal and recyclable (Rumble 1992). In this country there have been proposals to encourage consumer avoidance of "excessive packaging that will have to be discarded" at progressively higher trash-pickup charges, a system long employed in Seattle, where trash pickups have declined by more than two-thirds since the early 1980s (and where over 85 per cent of residents participate in recycling programs) (Holusha 1991). City governments in California, Minnesota, New York, and Oregon have prohibited the dumping of many types of plastic products and containers (Lawren 1990). Seven states prohibit white goods appliance dumping, requiring recycling instead; the state of Wisconsin now mandates the

prevention of CFC release during appliance recycling (Breen 1991). Promoters of national legislation requiring the collection of containers for reuse and recycling point to the success of so-called "bottle bills" in Oregon and eight other states since 1972 in requiring five-cent deposits on beer, soft-drink, and mineral water containers, resulting in redemption of over 90 per cent in three states, and over 80 per cent in four more states. Residents clearly support the laws, "beverage litter" has disappeared, and upwards of 10 per cent of the volume of solid wastes is recycled; New York state is reducing litter costs each year by \$50 million, and landfill charges by nearly \$20 million, while Michigan had saved by 1992 nearly \$40 million in the removal of bottles and cans from wastes (Grassy 1992).

### **OTHER RESPONSES: DENYING EXTENDED CHANNELS RESPONSIBILITIES**

Some business responses to the new distribution dilemmas may be described as more defensive, sometimes denying the seriousness of the problems, or arguing that abatement is adequately under way. The U.S. Chamber of Commerce opposes regulations banning products and imposing recycling requirements "where markets have not developed," and insists that packaging debris has declined over the past 15 years ("Balancing Plans . . ." 1992, p. 70). There are also concerns that the requirement of so-called "eco-labels" indicating a product's environmental safety or friendliness may also create confusion or false impressions (Levinson 1996). Others lament that over-broad legal requirements of recyclability do not always allow for such developments as the aseptic package, praised for its conveniences in protection and shelf life, but not conventionally recyclable (Churchill and Peter 1998).

### **INCREASING CHALLENGE TO RE-THINK CHANNELS MANAGEMENT**

As consuming society has demanded products with greater convenience and disposability, "hidden costs" of trash accumulation and environmental damage have risen to threatening levels. Automobiles, air conditioners, aerosol cans, and polystyrene products have brought convenience, but generate carbon dioxide, nitrous oxide, chlorofluorocarbons, and other greenhouse gases, contributing to global warming. Escalating public debate reflects concern for waste management and energy conservation, as well as water conservation and land use, and for broader public education in all of these matters. Politically-savvy and activist organizations such as the Cousteau Society are galvanizing support through

conferences, public relations saturation barrages, and mass petitions for the rights of future generations and all members of the natural system, bringing new pressures on the use and disposal of products and packages, as well as on product creation and development (Weiss 1992; Cousteau 1992). Some now foresee that future product and package design may well occur only after serious questioning of whether society really needs the new product, "reconsidering every part of the product, how long it'll be used, and how it can be used by different people in society" (Rumble 1992, p. 38). Accordingly, marketers are finding new responsibilities in the emerging reality of channels flows that extend beyond purchase and use of products and packages. Although some firms may be moved primarily out of fear of rising green movements and associated societal pressures, which ultimately develop into regulatory restraints on unheeding and insensitive offenders (Hughes 1992; Kjolhede 1991), it appears almost certain that more thought will have to go toward planning a different distribution infrastructure, one more responsive to recollecting, reusing, and recycling.

These observations do not overlook or take lightly Alderson's long-established point that channels are, after all, only loose alliances of marketing firms (1957), or McVey's reminder that marketers frequently operate as independently as they can, not often viewing themselves as part of any grand system, but responding to day-to-day pressures and trying to get ahead (1960). Nor is it intended to minimize the difficulties of change among marketing institutions and in their continuing evolution as channels, such as those identified by McCammon in "organizational rigidities," or channel insiders' preference to respond "incrementally" to change (1963), especially in light of estimates which identify "reverse distribution costs" as up to nine times greater than usual "forward distribution costs" (Cox et al. 1996).

There is clearly a call for marketers to respond to the growing societal concerns about waste management, taking into account more fully and more realistically the patterns of buyer disposal of products and packaging. These patterns may well be influenced by educating buyers about ways to prolong products' value, and about ways in which disposal might be more "conservation-friendly" (Jacoby et al. 1977). As attention is increasingly focused on "re-engineering the supply chain" into value delivery chains, perspectives should be enlarged to encompass larger channel systems with backflows and other extensions, from which competitive advantage can be secured by those who move

early and accurately to identify the challenge as opportunity, and then exploit it (Phipps and Foster 1997; Cox et al. 1996; Davis 1996). Indications are that it will

be an extensive educational and retraining process, but one which marketers and society can agree is needed.

---

## REFERENCES

- Alderson, Wroe (1957), *Marketing Behavior and Executive Action*, Homewood IL: Richard D. Irwin, Inc.
- "Any Color So Long as It's Green" (1991), *Newsweek*, (September 30), 48.
- Austin, Phyllis (1991), "What?! Garbage in Japan?" *Garbage*, (November-December), 22-29.
- "Balancing Plans on Waste Disposal" (1992), *Nation's Business*, (January), 70.
- "Biodegradable plastics that really degrade" (1991), *Utne Reader*, (July-August), 32.
- Breen, Bill (1992), "The Greatest Flow on," *Garbage*, (January-February), 12-15.
- Bruno, Kenny (1991), "Not Getting the Lead Out," *Greenpeace*, (October-November), 18-19.
- Carothers, Andre (1991), "Is the Revolution over?" *Utne Reader*, (January-February), 94-95.
- Churchill, Gilbert A., Jr., and J. Paul Peter (1998), *Marketing: Creating Value for Customers* (2nd Edition), New York: Irwin McGraw Hill.
- "Coded Cars" (1992), *Garbage*, (January-February), 14.
- Cousteau, Jacques-Yves (1992), "For an Intergenerational Ethic," *Calypso Log*, (February), 4-5.
- Cox, John, et al. (1996), "Ecosystem Marketing for Competitive Advantage" (Summary), *Marketing: Moving Toward the 21st Century*, Elnora W. Stuart et al., Editors, Rock Hill SC: Southern Marketing Association, 253-54.
- Davis, Tim R. V. (1996), "Critical Links in the Supply Chain: How Leading Companies Create Competitive Advantage Through Logistics," *Proceedings of the 1996 Conference of the Midwest Management Society*, Roy S. Farris and Darlene J. Dunning, Editors, Cape Girardeau MO: Midwest Management Society, 82-85.
- "Garbage Shipping" (1991), *The Courier-Journal* (Louisville KY), A11.
- Grassy, John (1992), "Bottle Bills: Headed for a Collision at Curbside?" *Garbage*, (January-February), 45-47.
- "Green" (1990), *Restaurant-Hospitality*, (December), 32.
- "Green Scene, The: Plastic Surgery" (1993), *Entrepreneur*, (May), 20.
- "Hard Numbers on Soft Drinks" (1992), *Garbage*, (January-February), 22.
- Holusha, John (1991), "Pricing Garbage to Reduce Waste," *The New York Times*, (May 29), D2.
- Hughes, Claire D. (1992), "Human Impact," *Sky*, (February), 28-35.
- Hutchens, Stephen J., and Jon M. Hawes (1985), "Consumer Interest in Remanufactured Products: A Segmentation Study," *Akron Business and Economic Review*, (Spring), 16-22.
- Jacoby, Jacob, et al. (1977), "What about Disposition?" *Journal of Marketing*, (April), 22-28.
- "Kentucky Citizen Action Joins the War on Waste" (1992), *Citizen Action*, 1-2.
- Kjohede, Julie (1991), "Putting Waste into Perspective," *Iowa Conservationist*, 24-26.
- Kleiner, Art (1991), "Theatre of the McServed," *Garbage*, (September-October), 52-56.
- Lawren, Bill (1990), "Plastic Rapt," *National Wildlife*, (October-November) 10-17.

- Levinson, Marc (1996), "Seeing Red over Green," *Newsweek*, (June 27), 55.
- Lienert, Paul (1996), "Recycling Becomes Parts and Parcel of Carmaking," *Chicago Tribune*, March 24, Section 12, 1, 6.
- Mamis, Robert A. (1991), "The Economy of Ecology," *Inc.*, (September), 139.
- Martin, Amy (1991), "The Bumpy Road to Tire Recycling," *Garbage*, (May-June), 28-37.
- McCammom, Bert C., Jr. (1963), "Alternative Explanations of Institutional Change and Channel Evolution," *Toward Scientific Marketing*, Stephen Greyser, Editor, Chicago: American Marketing Association, 477-90.
- McVey, Philip (1960), "Are Channels of Distribution What the Textbooks Say?" *Journal of Marketing*, (January), 61-64.
- "Morning Edition" (1997), National Public Radio, (December 15).
- Moss, Dale (1991), "New Albany man's recycling service fills society's newest need," *The Courier Journal* (Louisville KY), (November 17), B8.
- Phipps, John R., and Ronald A. Foster (1997), "Value Delivery Chain: Realizing Growth Through Reengineering the Supply Chain," *Perspectives on Business 1997*, New York: Deloitte & Touche LLP, 30-37.
- "Poles Raze Incinerator" (1991), *Greenpeace*, (January-February), 23.
- Rumble, Janet L. (1992), "Putting the Cycle into Design," *Metropolis*, (January-February), 35-38.
- Sachs, Wolfgang (1990), "What next? The post-Cold War world," *Utne Reader*, (November-December), 90-98.
- Templeton, Fleur (1992), "All That Newsprint is Fit for Packaging," *Business Week*, (February 17), 129.
- "Tires and People" (1991), *Garbage*, (May-June), 63.
- Weiss, Edith Brown (1992), "Designing a Legal Framework for the Rights of Future Generations," *Calyso Log*, (February), 9-10.
- Weiskopf, Michael (1992), "Vanishing ozone layer gives new urgency to chemical ban," *The Courier Journal* (Louisville KY), (February 6), A1, A9.
- "Your Car Is Running on Hazardous Waste" (1991), *Garbage*, (November-December), 48-49.

# MICRO-SMALL BUSINESSES AND THE IMPORTANCE OF MARKETING FACTORS

*E. Wayne Chandler, Eastern Illinois University  
Thomas C. Patton, Late of Graceland College*

---

## ABSTRACT

*Much attention has been given the marketing factors that help make small businesses successful. Unfortunately, the focus has been on "relatively large" small businesses. This investigation shows that the perceptions of those who operate micro-businesses by themselves are significantly different from their larger counterparts in the same industry. Implications for developing educational programs to help micro-business owners who are in need of more expertise, are discussed.*

---

## INTRODUCTION

While much attention has been given the factors that influence the success of small businesses, relatively little attention has been given to those that operate truly small businesses, i.e., the micro businesses that exist throughout the country. These firms have few employees and are thus unlikely to have access to the marketing expertise available to larger entities. The issue is whether they have the same perceptions of what factors are important to success as do their larger counterparts. To that end, the owners of antique stores, an industry characterized by both single-dealer shops, micro-businesses and "mall" type entities, larger small businesses, were analyzed to see whether type of entity, single-dealer vs. mall owner stores served to differentiate the perception of what factors were important to success. Both types of entities operate in the same industry and appeal to the same target market. Thus, it would be reasonable to assume that the perceptions of what it takes to be successful ought to be the same. If they are not, opportunities for education exist.

## THE SMALL BUSINESS LITERATURE

An investigation of the marketing literature on small businesses reveals many studies that discuss basic marketing concepts and their applicability to small businesses. Examples include Goetsch (1993), and Weinstein (1994). Unfortunately, the marketing literature pertaining to marketing applications for small businesses characterizes the "small business" literature as it seems to consist of suppositions that are broadly applied to all sorts of small businesses. Specific examples are missing. Even more unfortunate, the

writers seem to presume that the firm has sufficient people to become expert in all aspects of the business (Bukics, and Engle 1994; Bronson and Langel 1995)

Fortunately, some studies such as Whitmyer and Raspberry (1994) have focused on the needs of the individual who operates alone without the help of others. The only drawback to Whitmyer and Raspberry is they take a generalist approach which applies to many types of small businesses. As such, their work represents the classic conundrum. The concepts they espouse are applicable to all types of businesses. However, they do not provide examples of how the concepts are applied to specific businesses as would be the case if they focused on an industry such as antiques. Thus, in the hopes of more specific applicability, attention is turned to the literature devoted to the antique industry.

## ANTIQUENESS BUSINESS

Those interested in the world of antiques do not lack sources of information. The types of information available range from specialized articles on a variety of topics to generalized discussions of buying and selling (Johnson and Borland 1986; Williams 1993). Unfortunately, most of these sources deal with how to buy and sell antiques, mostly as a collector, not as a businessperson interested in how to market their goods. Issues such as developing a merchandising strategy, developing and implementing an appropriate promotion strategy, dealing with customers and the other marketing tasks that the micro-business manager must do are not discussed in much detail, if at all. Fortunately, not all omit discussion of the basic business concepts that underlie successful businesses. Two sources stand out,

namely Johnson and Borland (1993) and Pitzer and Cline's (1986). Both go beyond what those interested in antiques love, namely the identifying and buying of antiques, and provide information on the business aspects. Johnson and Borland's book is especially good as a marketing handbook. Their examples are from the world of antiques. They show how the basic concepts of marketing can be used by those interesting in selling antiques. Nevertheless, while excellent as a marketing handbook, it is prescriptive in nature. That is, it reports their perspective on what should be done, not the perspective of those who are actually operating micro-businesses. If the practitioners do not think the factors important, then all the prescriptive advice in the world is of little value.

### **METHODOLOGY**

Based on a review of the literature, a research instrument was prepared that asked the importance of various marketing factors to the success of the micro-businesses. Responses were scaled using a 5-point Likert scale. The respondents were whether they operated a single-dealer store or a mall. The research instrument, along with a cover letter requesting participation, was sent to a random sample of 500 antique dealers located in a Midwestern state.

The data were organized by marketing factor and were analyzed via MANOVA to see whether single-dealer store versus mall owner served to differentiate responses. When significant differences regarding the overall factor were found, a one-way ANOVA was done to determine which of the individual elements contributed to that difference.

### **FINDINGS**

One hundred fifty research instruments were returned, a response rate of 30 percent. Of those that were returned, 141 were complete and contained usable data. The data were classified as product, location, promotion or atmospheric factors. Table 1 presents the findings regarding promotion factors.

Both groups thought most types of promotional activities appropriate for antique shops. The only exception was attention-getting neon signs. Both groups recognized the important of having highway signs to inform those on the highway of the existence of the shop and both recognized the importance of promoting to the true antique buff through antique guides. Yet, significant differences exist in the perceptions of the overall

importance of promotion and in the elements that comprise this strategic factor. Mall owners placed significantly more importance on highway signs and advertising in antique guides than did single-dealer shops. Furthermore, they were significantly much less disposed toward the use of attention getting signs. Having gotten the prospective customer's attention and interest, location becomes the issue. Table 2 presents these findings.

Both mall owners and single dealer shops thought location was important to the success of their business. Both groups thought that easy accessibility was the most important issue. Those who operated malls thought factors of easily accessibility and adequate parking were significantly more important than did single-dealer owners. Though both single-dealer shops and mall owners though being open long hours important, neither group put as much of a premium on that location factor as they did on others. Location, though important is not sufficient, antique shops must have products to sell. Table 3 presents these findings.

Both Antique Mall owners and Single-Dealer shops thought it important to have a wide selection of products and that it was acceptable to mix antiques and collectibles but unacceptable to sell reproductions as well as originals. And though both thought a wide product selection was an important factor of success, mall owners placed significantly more importance on this factor than did single-dealer shops. Though a good selection is essential, a poorly displayed assortment will not entice prospective customers. Thus, respondents were asked about the importance of "atmospherics" in the development of a cogent marketing strategy. Table 4 presents the findings.

Given the nature of the store, it is not surprising that both mall owners and single-dealer owners thought an "antique atmosphere" was important. As with the other strategic variables, a significant overall difference in the perceptions of the importance of atmospheric factors existed. The individual elements that were different related to displays, merchandise accessibility, and background music. In each instance, the mall owners attached significantly more importance to the element as a factor influencing the success of their business.

### **CONCLUSIONS**

Single-dealer antique shops and antique malls seek the same target market, namely, those interested in finding antiques. Moreover, they are selling the same

**Table 1**  
**Promotion Factors Important to Success**  
**By Type of Entity**

	Antique Mall Owner		Single-Dealer Shop	
	Mean	S.D.	Mean	S.D.
Advertising in the newspaper	3.39	1.28	3.11	1.28
Seasonally appropriate displays	3.79	1.28	3.61	1.00
Advertising in antique guides *	4.29	1.00	3.69	0.91
Advertising in the Yellow pages	3.07	1.29	3.25	1.24
Highway signs *	3.75	1.28	3.31	1.08
Outdoor signs *	4.46	0.95	3.82	0.95
Attention getting neon signs *	2.07	1.14	2.52	1.32
Professionally prepared signs	3.07	1.55	3.18	1.38

N= 56 for mall owners, 85 for single owner stores. Scale, 5= important, 1 = unimportant. S.D. = standard deviation. Hotellings Exact F = 3.924, Hypothesized D.F. = 8.00, Error = 132, Probability = .000. \* = Elements that were significantly different at the .05 level.

**Table 2**  
**Location Factors Important to Success**  
**By Type of Entity**

	Mall Owner		Single-Dealer Shop	
	Mean	S.D.	Mean	S.D.
Open long hours	3.14	1.47	3.13	1.12
Location	4.61	0.78	4.29	1.11
Easily accessible *	4.75	0.64	4.37	0.81
Adequate parking *	4.61	0.68	4.21	0.77

N= 56 for mall owners, 85 for single owner stores. Scale, 5= important, 1 = unimportant. S.D. = standard deviation. Hotellings Exact F = 3.801, Hypothesized D.F. = 4.00, Error = 136, Probability = .006. \* = Elements that were significantly different at the .05 level.



Table 3 Product Factors Important to Success By Type of Entity				
	Antique Mall Owner		Single-Dealer Shop	
	Mean	S.D.	Mean	S.D.
Wide product selection *	4.68	0.54	4.08	0.86
Mixing antiques & collectibles	3.54	1.41	3.65	1.17
Selling reproductions as well as originals	2.14	1.42	1.84	1.20
Selling supplemental items *	2.71	1.26	1.99	0.89

N= 56 for mall owners, 85 for single owner stores. Scale, 5= important, 1 = unimportant. S.D. = standard deviation. Hotellings Exact F = 13.363, Hypothesized D.F. = 4.00, Error = 136, Probability = .000. \* = Elements that were significantly different at the .05 level.

Table 4 Atmospheric Factors Important to Success By Type of Entity				
	Antique Mall Owner		Single-Dealer Shop	
	Mean	S.D.	Mean	S.D.
“Antique atmosphere”	4.29	1.00	4.07	1.11
Well-lit displays *	4.57	0.78	4.07	0.96
Easily accessible items *	4.46	0.74	3.93	0.77
Displays to highlight items	4.14	1.14	3.82	1.01
Background music *	3.46	1.33	2.52	1.37

N= 56 for mall owners, 85 for single owner stores. Scale, 5= important, 1 = unimportant. S.D. = standard deviation. Hotellings Exact F = 6.408, Hypothesized D.F. = 5.00, Error = 135, Probability = .000. \* = Elements that were significantly different at the .05 level.

things, antiques to this market. The only differences may be the size of the store and the number items displayed though some single-dealer shops are quite large. Thus, one might reasonably conclude that single-dealer shops and mall owners would have similar perceptions of what marketing factors are important for success. Yet, as the findings reported herein show, that is not the case. Significant differences in the perceptions of promotional,

location, product and atmospheric factors exist. In every instance, mall owners attached significantly more importance to the elements that differentiated the two groups. Thus conclusion provides support for the position that the perceptions of the operators of micro-business have significantly different perceptions of what factors are important to their success. Given that conclusion, the opportunities for education of micro-

businesses operations as to what constitutes the important success factors is readily apparent. Those who have taken responsibility for educating small businesses including the micro-businesses on ways to improve their operations, have a great deal to do. They must identify those who operate micro-businesses, develop programs that, given their limited human and other economic resources, are designed to help them achieve a differential advantage in the marketplace. As a part of this program, those charged with creating educational

opportunities have to have a basis which can be used to persuade the micro-businesses that they will be better off as a result of paying more attention to marketing factors. The findings herein provide such a basis. Those who are larger and yet serve the same type of customer, place more importance on a number of factors which can easily be addressed by the micro-business owner. The importance of these factors must be communicated to the owners of the micro-businesses to enable them to achieve their desired objectives.

---

#### REFERENCES

- Bingham, Joan and Don (1994), *Buying and Selling Antiques & Collectibles For Fun and Profit*, Boston: Charles E. Tuttle Co., Inc.
- Bronson, Howard with Peter Lange (1995), *Great Idea! Now What?* Naperville, Illinois: SourceBooks, Inc.
- Bukics, Rose Marie L. and Ruth E. Engle (1994), *The Small Business Survival Guide To Debits Credits and Cash: What Every Growing Business Needs To Know About Accounting & Finance*, Chicago: Probus Publishing Company.
- Goetsch, Hal (1993), "Integrated marketing plans help small businesses stay ahead," *Marketing New*, 27 (23) (November), 14.
- Johnson, Don and Elizabeth A. Borland (1993), *Selling Antiques & Collectibles :50 Ways to Improve Your Business*, Radnor, Pennsylvania: Wallace-Homestead Book Company.
- Pitzer, Sara and Done Cline (1986), *Buying and Selling Antiques: A Dealer Shows How To Get Into the Business*. Pownal, Vermont: Storey Communications, Inc.
- Sanson, Michael, (1993), "Everything Old is New Again," *Restaurant Hospitality* 77 (12) (December), 114-115.
- Weinstein, Art (1994), "Marketing Definition in Technology-based Industry: A Comparative Study of Small Versus Non-Small Companies," *Journal of Small Business Management*, 32 (4) (October), 28-36.
- Williams, Gordon (1993), "Art for Money's Sake," *Financial World* 162 (23) November 23), 68-70.
- Whitmyer, Claude and Salli Raspberry (1994), *Running A One-person Business* 2nd Edition, Berkeley California: 10 Speed Press.

# TEACHING CONFLICT RESOLUTION SKILLS FOR SUCCESSFUL TEAMS

*Sharon C. Wagner, Missouri Western State College  
Joanne G. Katz, Missouri Western State College*

---

## ABSTRACT

*Increased use of teams in classroom projects brings about inevitable interpersonal conflicts. There does not appear to be a systematic effort to develop the skills necessary for students to handle these frictions. This paper presents a Conflict Resolution teaching model, based on a mediation model.*

---

## INTRODUCTION

As the number of companies using teams increases, the use of team projects in business classes has increased (Greising 1989, Robbins 1994). New curricula at several top business schools emphasize training in teamwork (Deutschman 1991, Kruger 1994). Effective teams provide benefits both to the class and to the individual. Robbins (1994) found that group work had a positive impact on the team member's appraisal of the task assigned to them. Respondents reported a heightened sense of meaningfulness in their work, a sense of belonging to the team, and higher levels of commitment to a group project than to individual assignments. Studies of companies with successful teams report improved productivity, increased measures of quality, higher levels of job satisfaction and customer service, and higher morale (Musselwhite and Moran 1990, Versteeg 1990, Wellins and George 1991).

Several authors have identified skills in communication and interpersonal relations as necessary for both the individual and the team to be effective. The primary ability that is vital to the effective functioning of a team is the ability to resolve conflicts (King 1988, Musselwhite and Moran 1990, Steckler and Fondas 1995, Versteeg 1990, Wellins and George 1991). This important skill can be learned through training and coaching. Wellins and George (1991) reported that 83% of the companies they studied offered training in problem solving, 62% taught communication skills, and 61% provided specific training in conflict resolution. Insufficient training was given as the number one cause of the failure of a team.

Many business courses involve team projects. The focus is usually on successful completion of the

project, without a systematic attempt to teach conflict resolution skills to the students involved. Training in conflict resolution would help the students develop the skills which would help them deal with the inevitable problems which arise out of team projects. The opportunity to develop confidence and knowledge in this important area will also enhance the students' performance in the workplace. This paper presents a Conflict Resolution Teaching Module, based on a mediation model. There are four, 90-minute sessions which can be adapted to work within any business class which includes team projects.

## SESSION ONE: THE NATURE OF CONFLICT

Conflict is an inevitable part of team assignments, and it can hamper or even prevent productivity. In order to deal with conflict, it must be examined in a new light. Students need to discover that avoiding conflict is not the goal. Instead, the goal is to learn to manage conflict so that it becomes a vital part of the growth of the individuals in the team, and the success of the project (Sreenivas 1997). Constructive conflict which is well managed can lead to creative solutions, better group communications, and improved skills in making good decisions (Lally and Kaye 1997). Participants report positive outcomes from well-managed conflict, such as the individual's own values becoming clearer and promoting self and interpersonal insights (Johnson and Johnson 1997).

### Exercise 1.1

Each student writes down three words which come to mind when they hear the word, "conflict." These words are then written on the board, and discussed. Frequently seen words are "powerless," "angry," "scary,"

etc. The class then needs to discuss whether or not there is anything positive about conflict. The reality is that conflict is present whenever two or more people have different views or values about a given situation. While different views may cause discomfort, it also gives everyone an opportunity to view a situation from a different angle. Thus, especially in team work, conflict brings the opportunity for creativity.

Each student is to write down three positive outcomes of conflict. These words are also written on the board, and discussed. Comments such as "looking at things from another viewpoint" and "finding creative solutions" are often suggested.

### Exercise 1.2

When attempting to resolve a conflict, it is important to identify the origin of the problem. Conflict usually involves one of four problem areas. Students develop a list of common team problems and analyze to which area the problem belongs.

1. People: are the people involved able to communicate: Is there a cultural or gender barrier involved?
2. Relationship: do the people have a pre-existing relationship which is getting in the way of working together now, or do they just not like each other?
3. Procedural: is the problem stemming from the manner in which the group works together? How are assignments made? How are decisions made?
4. Substantive: does the problem lie in the content of the decision which are being made by the group? for the group by the professor?

Wherever the conflict lies, once the area that the problem originates from is identified, the solution can be geared toward the problem area. The real issue may be lost in all of the bad feelings which have surfaced. Identifying the area of the problem will help move the participants to a solution.

### Exercise 1.3

Each individual has their own personal way of dealing with conflict, their own Conflict Style. Each student completes a survey which identifies their own conflict style. There are basically five conflict styles:

1. Shark: controlling, overpowering, values goals over relationships.
2. Teddy Bear: accommodating, values

relationships over goals.

3. Fox: compromise is the only way, everything must be 50/50.

4. Turtle: avoids conflict, will not engage.

5. Owl: collaborator, believes that there can be win/win solutions. Values both relationships and goals.

## SESSION TWO: NEGOTIATION OR INTEREST-BASED BARGAINING

Negotiation is a process of discussing or bargaining in an attempt to resolve differences (Webster 1988). People tend to approach most conflictive situations from a position of fear. They often have the attitude that they are right, and the other person is wrong, or that if they give in to the other person, they are losing and the other person is winning. Fisher, Ury and Patton (1991) suggest that individuals in this situation focus instead on the three tests of a successful negotiation: did it produce agreement? was it efficient? did it improve the connection between the parties?

### Exercise 2.1

The class pairs off into teams. Each team is given a situation to role play, and only told, "Convince the other side to see it your way."

Robert is a senior with a major in marketing. He has been given an assignment by his professor to work with Madelyn to develop a marketing plan. His best friend has just opened a Harley-Davidson franchise, and he sees this as an excellent opportunity to help out the friend. The problem is Madelyn. She is totally convinced that the team should direct their project to a local not-for-profit agency which assists people establish businesses in their homes. He is not against helping the poor, it's just that it seems too dry. Here he has an opportunity to sell Harleys, and she wants to be a do-gooder!

Madelyn is a senior with a major in marketing. She has been given an assignment by her professor to work with Robert to develop a marketing plan. Through her church, she has met the Director of Project Hope. This organization assists mothers get off of welfare by establishing cottage or home businesses. This way women can stay at home with their children, and still make a living using their own talents. She would like to design a project which would help market some of the products being created in the program. Robert seems set on helping his friend sell Harleys. Why should they work on something that only bike gang members want, when

you can make a real difference in someone's life?

Both Madelyn and Robert have good reasons for wanting to do their project. However, it is very hard to convince someone of a different point of view when they have an equally strong feeling about their own. This first exercise needs to be stopped after a few minutes for additional group discussion.

People come to most negotiations from their position. This is the end result they hope to get, or think they can achieve. As seen in the exercise, it is difficult to get a result that both people are happy with when they engage in a positional negotiation. When two people uncover why they are attached to that position, as the teams have done in this last exercise, they start to recognize their underlying interests. Interest-based negotiation has the potential for more positive results than does positional negotiation.

Fisher, et.al (1991) suggests that successful interest-based negotiations are based on following a four step method:

1. Separate the people from the problem: redirect personal attacks into attacks on the problem.
2. Avoid positions, discover interests: try to find out why a person has that particular position.
3. Discover options for mutual benefit: once you find out what everyone is actually interested in, brainstorm to determine how many of those interests can be met in a joint decision.
4. Use objective standards: if questions of fact come up, seek out the advice of an expert.

### **Exercise 2.2**

Each team member lists five things that are important to them about the assignment: a good grade, helping a friend, etc. The lists are then shared with their partners and attempt to negotiate a result which will meet as many of their interests as possible.

Interest-based bargaining can help parties find results which they did not know were possible. Even though the people involved may appear to be hopelessly at odds, there are ways to find solutions that will satisfy at least the major interests of the parties involved.

## **SESSION THREE: MEDIATION SKILLS TO RESOLVE DISPUTES**

Mediation is a problem-solving process where

two or more people in a conflict meet with a neutral third party and create a solution to end their conflict. The neutral party is called a mediator and does not make a decision for the parties, but instead their role is to facilitate the negotiation of the conflicting parties. Historically, mediation comes from Chinese and Japanese culture, where an emphasis on peace-making rather than win/lose alternatives, has made it the dominant form of resolution. Grounded in Confucianism and shared by Buddhism and Taoism, mediation is based in the concept that conflict does not equate to contest (Crum 1987).

At times team members, or even the instructor, must play the role of a mediator. Mediation consists of four simple steps:

1. Setting ground rules for behavior during the mediation.
2. Letting each party state the problem, and set an agenda for what must be discussed.
3. Developing options for mutual gain.
4. Choosing an option, and creating an agreement.

The mediator must direct the parties to succeed at this type of negotiation. He/she must use certain skills to engage them, and help them come to agreement. Two of these skills, which are also helpful in any dispute, are reflective listening and reframing.

Reflective listening is a two step process. First, the mediator listens carefully to the speaker and tries to paraphrase back what he has heard. This assures the speaker that he has been heard. If the content seems to have a lot of emotional underpinnings, the mediator then attempts to state back to the speaker the emotion that he has heard. The stating of the emotion tends to diffuse it, and allow the speaker to be less attached to it.

### **Exercise 3.1**

Students form teams of two. The first speaker should discuss why he is going to do well in a marketing position. The other person should listen, and attempt to paraphrase back the content. Then the speaker should continue, and the listener should state the emotion. Switch speakers, and this time the speaker should discuss what he does not like about the Business Department at the school. The team should follow the same instructions. The class should then come back together as a group and discuss how the process worked. These skills need to be put into the context of a mediation that can help the

parties succeed in their attempts to work together.

### Exercise 3.2

Reframing is the essential skill of any mediator. Reframing is taking emotionally charged language and restating it in a neutral context. For example, Mary says, "George is impossible to work with. He is never on time, and always blames me that the work isn't done." Reframing might be, "It sounds like you and George have had scheduling and work distribution problems." While Mary wanted to blame George, the mediator is attempting to aim the discussion to the problem, and not the people. Reframing can often redirect the negative energy. These skills now need to be put into a mediation.

## SESSION FOUR: MEDIATION CONTINUED

The students now need to develop their skills by role-playing mediation situations. Students are formed into groups of three. One is the mediator, and the other two are given roles to play.

### Exercise 4.1

Peter is the leader of the group. He was chosen by the members, but there is one member, Sara, who has always acted like she did not like him. He assigned mall-intercept interviews to all of the members of the group.

Sara has never done hers, and told another group member that she did not like Peter and had no intention of helping him out. He tried calling her, but she refuses to return his calls. He has decided to try mediation.

Sara is a member of a group in a marketing class. All of the rest of the group decided that Peter should be the leader. She has always disliked him, and was angry at the teacher for assigning her to this group, and angry at the group for choosing him as leader. Now he has assigned mall-intercept interviews and has given her all of the bad times. He has set unreasonable time limits, and she is having a hard time getting them done. Now her professor has informed her that he wants her and Peter to go to mediation.

## CONCLUSION AND RECOMMENDATIONS

The teaching module which has been developed is an attempt to raise awareness of the benefits of conflict resolution skills as a method of increasing the efficient functioning of student teams. As their instructors gain knowledge of these skills themselves, they can remind the students of what they have learned, and reinforce the principles involved. Students who have developed skills in conflict resolution will be better able to deal with the inevitable interpersonal problems that arise from a team project, whether it is in an academic or business setting.

---

## REFERENCES

- Crum, Thomas F. (1987). *The Magic of Conflict*. New York, NY: Simon and Schuster.
- Deutschmann, Alan (1991). "The Trouble With MBAs." *Fortune*, 124 (3): 57-79.
- Fisher, Roger, William Ury and Bruce Patton (1991). *Getting to Yes* (2nd Ed.). New York, NY: Penguin Books.
- Greising, David (1989). "Chicago's B-School Goes Touchy-Feely." *Business Week*, 3135 (November): 140.
- Johnson, David W. and Roger Johnson (1997). "The Impact of Conflict Resolution Training on Middle School Students." *Journal of Social Psychology*. 137(1):11-22.
- Kruger, Dave (1994). "Business School Gurus Jell on Power of the Group." *Japan Times Weekly International Edition*, 34 (27): 13.
- Lally, Richard and Kenneth Kaye (1997). "Getting Results...For the Hands-on Manager: Plant Edition." American Management Association. (May): 8.
- Musselwhite, Ed and Linda Moran (1990). "On the Road to self-Direction." *The Journal for Quality and Participation*. June: 58-63
- Robbins, Tina L. (1994). "Meaningfulness and Community in the Classroom: The Role of Teamwork in Business Education." *Journal of Education for Business*. July/August: 312-316.

Sreenivas, I. Satya (1997). "The Positive Aspects of Conflict." *Business Journal Serving San Jose and Silicon Valley*. 15(10):21-22.

Steckler, Nicole and Nanette Fondas (1995). "Building Team Leader Effectiveness: A Diagnostic Tool." *Organizational Dynamics*. 23 (Winter): 20-33.

Versteeg, A. (1990). "Self-Directed Work Teams Yield Long-Term Benefits." *The Journal of Business Strategy*. 11 (November/December): 9-12.

Wellins, Richard and Jill George (1991). "The Key to Self-Directed Teams." *The Key to Self-Directed Work Teams*. 45 (April): 26-31.

# THE UNIFICATION OF MARKETING AND ASSESSMENT IN HIGHER EDUCATION: A MODEL

Oscar T. McKnight, Ashland University  
Ronald Paugh, Ashland University

---

## ABSTRACT

*A marketing assessment model that includes university outcome measures is presented. The model incorporates consumer expectations theory and marketing strategy. Findings indicate that student expectations vary among the undergraduate population. Marketing implications for student recruitment and retention efforts are offered.*

---

## INTRODUCTION

Institutions of higher education are facing tremendous internal and external pressures that will extend into the twenty-first century. Internal challenges demand that admission departments recruit the best possible student and in sufficient numbers. External demands scream for "justifications" in multiple areas. Cress (1996) reviewed pressures from legislators, business, and the public to report outcomes. Simply stated, people are demanding to know what is happening with students enrolled in colleges and universities. As such, Cress reviewed various frameworks for assessment and methodologies. Her primary goal is to improve retention by focusing on instructional and support programs.

External demands for accountability have renewed an interest in the marketing of colleges and universities. There appears to be two emerging streams of research focus: (1) consumer expectations in regard to product and service quality (Grewal, 1995; Spreng and Mackoy, 1996); and (2) institutional image and marketing in higher education (Kotler and Fox, 1985; Hensley, 1995; Sevier, 1996). The challenge is to balance the two.

Market researchers argue that people's perceptions are critical to an institution's well being (Topor, 1986). The theory postulates that image will affect a university. In particular, the ability to attract new students, recruit faculty, receive outside research funding, or secure gifts, all rest on an institution's perceived image. Therefore, it is in every institution's best interest to understand the concept of image. The overall goal of institutional marketing should be to ensure that the image is congruent with circumstance.

Image for all practical purposes is a perception. Kotler and Fox in 1985 asserted that a responsive institution has a strong interest in how its public see the school, its programs, and services. The researchers concluded that individuals often respond to the institution's image and not reality. Gronroos (1983) suggested that the perceived quality of a service will be the result of an evaluation process in which customers compare their perceptions of service delivery against what they expected. Similarly, Parasuraman et al. (1988) considered that a customer's assessment of overall service quality depends on the gap between expectations and perceptions of actual performance levels.

Given this brief overview, the major research objective of this paper is to discuss the marketing of an institution of higher education by evaluating an assessment model that incorporates accountability measures. The major findings will address the role of perceptions on marketing and outcome assessment. Specifically, the research questions of interest are as follows:

1. Can a marketing assessment model include university outcome measures?
2. Do "undergraduate" expectations of their academic student life change as they matriculate?
3. What are the similarities and differences of "undergraduate" expectations as a function of class rank?
4. What are the marketing implications for recruiting and retention efforts on campus?
5. How can a university use this assessment model to guide its marketing efforts?



## METHODOLOGY

Four hundred and twenty-five students in residential housing received an open-ended questionnaire examining personal expectations of their university experience. The survey requested a student fill-in by category those areas of service that had Fallen Short of Expectations, Met Expectations, or Exceeded Expectations; hence, the format minimizes the risk of establishing a response set. Each category was later given a rank score on a three point scale. For example, a mean score of 2.5 indicates a response rating that lies midway between "Met Expectations" and "Exceeded Expectations." In an attempt to understand the interaction between a rating and the number of responses, the multiplication of the two scores creates a variable designated as "value." The value score sorts responses according to a created hierarchy listing the top five and bottom five expectations. The goal is two fold: (1) to determine the areas in which the university exceeds student expectations; and (2) to examine what areas fall short of student expectations for each class-rank. Survey distribution followed an alternate floor sampling of males and females.

## FINDINGS

Results found proportional characteristics of demographics (i.e., gender and class rank) to be within  $\pm 3\%$  of the total population. The sample size ( $n = 288$ ) represented only those participants who responded in every category and provided their class rank; therefore, the sample was large enough for representativeness at a 95% confidence level (see Krejcie, 1970). In Table 1, simple regression models tested if class rank could account for a significant amount of variance in predicting the number of responses per expectation category; eight areas were found significant. Likewise, when qualitatively contrasting Freshmen, Sophomore, Junior, and Senior expectation responses, personal value ratings were significantly different. For example, Freshmen rated faculty, dormitories, and the student/professor ratio as high; whereas Seniors gave a high value score to grades, dining, and support services. The contrast in findings were similar for Sophomores and Juniors; also, these differences in perceptual values held for low ratings across class rank.

## IMPLICATIONS

This study examines five specific research questions. The first question asks if a marketing assessment model could include university outcome

measures. The findings suggest that a marketing assessment is not only plausible but practical. In review, each participant's response becomes a criterion measure when clustered. Likewise, individual items offer an opportunity for grouping, therefore lending itself to theoretical or empirical factor matching (see Terkla and Pagano, 1993). Also, collective responses could represent a general outcome measure. All in all, the efficacy of combining assessment with marketing strategies appears warranted.

The second question of interest explores whether undergraduate expectations of their academic and student life change as they matriculate. Findings clearly demonstrate that each class-rank has a different "top" and "bottom" expectations list. Thus, the answer is yes; there appears to be a shift in value as the student matriculates. This suggests that student expectations are not static but rather dynamic and in process. Therefore, assessment and marketing efforts are best when flexible, class-specific, and open-ended.

A third area of research focuses on the similarities and differences of undergraduate expectations as a function of class rank. Table 1 presents statistical hypotheses examining the ability of class rank to predict expectation response. By interpretation, Freshmen either perceive university services as fallen short of, or exceeding expectations; Sophomores have an equal chance for all expectation areas; services met expectations for Juniors; and university service met or exceeded expectations for Seniors. In sum, similarities and differences exist in relationship to class rank. Knowledge of this point is vital when coordinating internal or external assessment and marketing efforts. Internal awareness of class features should strengthen retention efforts and external applications could impact Freshman recruitment and/or provide bonafide reasons for transfer students to apply to the institution.

The fourth question examines the marketing implications for recruiting and retention. In addition to previously listed advantages, the findings strongly confirm what Hauser and Clausing (1988) expressed as the necessity for any company (i.e., University) to understand their customers (i.e., Students) and to use consumer product quality expectations (i.e., Assessment Models) in developing their product mix. In essence, a university should shape its product according to what it does best; and determining what it does best can be as easy as implementing an expectations survey.

In completing this investigation, research

Table 1

Regression Models: Testing if Class Rank Accounts for a Significant Amount of Variance in Predicting the Number of Responses per Expectation Category.

Class Rank	DF	R	R-squared	f	p	alpha	Ho:	Sign.
Freshmen	295	.121	.015	4.3	.03	.05	<	S
Freshmen	295	.022	4.641E-4	.1	.712	.05	0	NS
Freshmen	295	.269	.072	22.9	.0001	.05	>	S
Sophomore	295	.149	.022	6.68	.01	.05	<	S
Sophomore	295	.125	.16	4.68	.03	.05	0	S
Sophomore	195	.199	.039	12.08	.0006	.05	>	S
Junior	295	.022	4.774E-4	.14	.70	.05	<	NS
Junior	295	.289	.083	26.70	.0001	.05	0	S
Junior	295	.108	.012	3.44	.06	.05	>	NS
Senior	295	.081	.007	1.95	.16	.05	<	NS
Senior	295	.126	.016	4.73	.03	.05	0	S
Senior	295	.203	.041	12.60	.0004	.05	>	S

NOTE: Hypotheses (Ho:) categorized as Fallen Short of Expectations denoted by (<); Met Expectations denoted by (=); Exceeded Expectations denoted by (>).

question five inquires as to how a university can use this marketing assessment model to guide an institution. Sevier (1996) reviewed the paradigmatic 4 P's of marketing and concluded that a "savvy" institution uses all four, and does not use one to the exclusion of the

others. The same is true for this presented assessment model; all scores representing Fallen Short of Expectations, Met Expectations, or Exceeded Expectations can be employed in the marketing and evaluation of an institution of higher education.

#### REFERENCES

- Cress, Christine (1996), "Assessment and Testing: Measuring Up to Expectations," ERIC Clearinghouse for Community Colleges, #391 559.
- Gronroos, Christina (1983), *Strategic Management and Marketing in the Service Sector*, Marketing Science Institute, #83-104.
- Grewal, Dhruv (1995), "Product Quality Expectations: Towards and Understanding of Their Antecedents and Consequences," *Journal of Business and Psychology*, 9 (Spring): 225-240.
- Hauser, John R., and Don Clausing (1988), "The House of Quality," *Harvard Business Review*, (May-June), pp.63-73.

- Hensley, Fred W. (1995), "Developing a Marketing Plan with Multiple Goals: Enhancing Image, Promoting the Capital Campaign and Supporting Student Recruitment" in 1995 *Symposium for the Marketing of Higher Education*, (Chicago, Illinois: American Marketing Association).
- Kotler, Philip and Karen F. A. Fox (1985), *Strategic Marketing for Educational Organizations* (Englewood Cliffs, N.J.: Prentice-Hall).
- Krejcie, Robert V. and Daryle W. Morgan (1970), "Determining Sample Size for Research Activities" *Educational & Psychological Measurement*, Volume 30, Number 3, pp. 607-10.
- Parasuraman, A., Valerie A. Zeithaml, and Leonard L. Berry (1988), "SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality," *Journal of Retailing* (1), pp. 12-37.
- Sevier, Robert A. (1996), "Those Important Things: What Every College President Needs to Know About Marketing and Student Recruiting," *College & University* (Spring), pp. 9-16.
- Spreng, Richard A. and Robert D. Mackoy (1996), "An Examination of a Model of Perceived Service Quality and Satisfaction," *Journal of Retailing*, 72 (Spring), 201-214.
- Terkla, Dawn Geronimo and Marion F. Pagano (1993), "Understanding Institutional Image," *Research in Higher Education* Volume 34, Number 1, pp. 11-22.
- Topor, R.S. (1986), *Institutional Image: How to Define, Improve, Market It*. (Washington, D.C.: Council for the Advancement and Support of Education).

# BUILDING A FOUNDATION FOR SUCCESSFUL PUBLISHING IN MARKETING JOURNALS

Newell Chiesl, Indiana State University  
Alan B. Czychewski, Indiana State University

## ABSTRACT

*This paper seeks to identify the factors which successfully build a sound research foundation. In an attempt to learn the reasons for rejection and acceptance of manuscripts by Marketing Journals, a questionnaire was mailed to editors and reviewers of Marketing Journals. Several factors were identified and detailed in the study.*

## INTRODUCTION

In recent years, the relative emphasis on research and publications required for most promotion and tenure decisions has continued to be a major concern for marketing faculty. The number of journals has grown, but there has been a faster growth in the competition to publish. Yet, the rejection rates are high at many journals, creating a significant impact on the careers of most academics. Beyer (1978, p. 82) noted that reviewers "are looking for something in the submission that justifies not publishing the article, and given the low consensus in the social sciences over many issues they usually find it." Jauch and Wall (1989) indicated that:

High rejection rates and occasionally caustic feedback may lead many authors to assume that reviewers are critical gatekeepers. Yet authors' observations, based on the piecemeal evidence of rejection or acceptance comments, hardly provide a foundation for conclusions about how reviewers approach their task. (P.159)

Even with this important gatekeeping function for reviewers, minimal research has been done as to why submissions are accepted or rejected. If authors know why various journals reject submissions, they can address those issues before design and submission. Several articles have analyzed the publications, policies, and practices in the Organizational Sciences, Accounting, and Finance areas. (Cummins and Frost, 1985, and Kerr, Tolliver and Petree, 1977).

## METHODOLOGY

Six hundred forty six questionnaires were

mailed to editors and reviewers of marketing journals.

## RESULTS

A total of 146 usable responses were returned, a response rate of 22.6 percent.

### Demographics

The profile of the respondents indicated a diverse group of reviewers. The largest segment (49%) received their highest degree in marketing, while 16% had Business Administration degrees. Of those reporting, 88% had a Ph.D., 2% a D.B.A., 1% a J.D. and 9% a Masters degree. Where the respondents received their degrees was also interesting and diverse. Fifty-four schools were represented. The schools with the highest frequency were: Michigan, Ohio State, Stanford, Illinois, and Wisconsin. The Big Ten, or eleven, accounted for one-third of the schools where the reviewers received their degrees. An international flavor of the reviewers is evident, with 7 foreign countries reported as places where degrees were received.

### Findings

The number of references to articles in the reviewer's journal, according to items 1 and 2 presented below, does not affect the accept/reject decision, as noted in responses for items 3, 4, and 5. "Knowing the author's identity," items six and seven, for 99% and 97% of the reviewers, respectively, count neither for nor against the article. Items 8 and 9, the presentation of a paper at a regional or national meeting, were not considered a hindrance to accepting an article. Similarly, items 10 and 11, a previously published abstract, did not affect the accept/reject decision. However, a fully published

proceeding at a regional or national meeting, items 12 and 13, was considered negative by 70% of the reviewers. As seen in item 14, the majority of the reviewers, 58%, responded it would add to the likelihood of acceptance, when the theory tested is new and is the author's own. However, if the results are not significant, items 15 and 16, the chances of acceptance are reduced. And no surprise, item 17, a direct replication of a study, leads to rejection of a proposed article. The vast majority of reviewers, 90% responded negatively to replication of a study. Reviewers responded the content of the manuscript is important in the acceptance of the article. When the topic is of interest to the field, item 18, the probability of acceptance rises. While, no new content, item 19, does not help the manuscript. Item 10 indicates that a topic well outside the mainstream reduces the

chance of acceptance. Items 21-24, manuscripts without new data, were considered to hurt a manuscript's chance of acceptance. Items 25-27 measured the reviewer's opinion. When the manuscript goes against the reviewer's opinion, for the most part, it counts against the manuscript's chance of being accepted. According to items 28-30, the inability for the study to generalize its findings, hurts a manuscript's chance of being published. For the most part, items 31 and 32 indicate the author's reputation counts neither for nor against acceptance. A small sample size, item 33, tends to cause rejection. Also negative, a study which has no control group (item 34) causes rejection. Moreover, the improper use of statistics, item 35, hurts an article. A manuscript being too long, item 36, was a problem, but a manuscript considered too short, item 37, was not a hindrance.

References

1. The manuscript contains many references to earlier publication in the same journal.

	1	2	3	4	5	6
Total	8	89	2	1	0	0

2. It contains no reference to earlier publications in the same journal.

	1	2	3	4	5	6
Total	0	64	32	3	1	0

Data Types

3. It contains nominal data and is treated accordingly.

	1	2	3	4	5	6
Total	3	83	8	5	1	0

4. It contains ordinal data and is treated accordingly.

	1	2	3	4	5	6
Total	6	86	6	2	0	0

5. It contains interval data and is treated accordingly.

	1	2	3	4	5	6
Total	8	90	2	0	0	0

Author's Affiliation

6. You know the author's identity and that the person is a member of the journal's advisory board.

	1	2	3	4	5	6
Total	0	99	1	0	0	0

7. You know the author's identity, and the person is a member of the company or university which sponsors the journal.

	1	2	3	4	5	6
Total	1	97	2	0	0	0

Previous Presentation

8. It has previously been "presented" at the regional marketing meetings, but not included in any proceedings.

	1	2	3	4	5	6
Total	1	93	6	0	0	0

9. It has previously been "presented" at the national marketing meetings but not included in any proceedings.

	1	2	3	4	5	6
Total	3	92	5	0	0	0

10. It has previously been presented at the regional meetings and an abstract was included in the proceedings.

	1	2	3	4	5	6
Total	1	92	5	1	0	1

11. It has previously been presented at the national meetings and an abstract was included in the proceedings.

	1	2	3	4	5	6
Total	2	90	5	1	1	1

12. It has previously been presented at the regional meetings and was fully included in the proceedings.

	1	2	3	4	5	6
Total	1	29	9	11	18	32

13. It has previously been presented at the national meetings and was fully included in the proceedings.

	1	2	3	4	5	6
Total	2	27	6	11	20	34

#### Statistically Insignificant Findings

14. The theory tested is new and is the author's own.

	1	2	3	4	5	6
Total	58	33	7	1	1	0

15. The study does not yield results which approach statistical significance. (The theory tested is new and is the author's own.)

	1	2	3	4	5	6
Total	0	21	23	28	14	19

16. The study does not yield results which approach statistical significance. (The theory tested is one which is of current interest to the field.)

	1	2	3	4	5	6
Total	5	25	32	21	13	4

#### Replicating Studies

17. It is a direct replication of an original study recently published in your journal; it adds no new dimension to theory.

	1	2	3	4	5	6
Total	2	8	14	16	40	20

#### Manuscript Content

18. It is on a topic of interest to the field but differs in content from articles traditionally published in the journal.

	1	2	3	4	5	6
Total	39	44	13	3	1	0

19. It is on the same topic as a number of other articles recently published in the journal.

	1	2	3	4	5	6
Total	4	64	19	8	5	0

20. It is on a topic well outside the mainstream of the field.

	1	2	3	4	5	6
Total	4	34	28	20	12	2

#### Manuscripts Without New Data

21. It is a review (state-of-the-art) paper and contains no new data.

	1	2	3	4	5	6
Total	9	60	14	5	5	7

22. It discusses a new statistical test or a new data collection technique and contains no new data.

	1	2	3	4	5	6
Total	9	50	18	12	10	1

23. It contains only a secondary analysis of data previously collected and analyzed by others.

	1	2	3	4	5	6
Total	3	58	20	10	5	4

24. It is a "think-piece," an extension, elaboration, or refinement of theory, and contains no new data.

	1	2	3	4	5	6
Total	11	65	13	4	2	5

Reviewer Opinion

25. The manuscript is based on a theory which most people in the field are interested in, but which you consider to be flawed or erroneous.

	1	2	3	4	5	6
Total	14	21	45	17	13	3

26. The manuscript is based on a theory which most people in the field are interested in, but which you consider to be method-bound.

	1	2	3	4	5	6
Total	1	28	49	17	5	0

27. It is on a topic which most people in the field consider important, but whose importance you believe to be greatly overemphasized.

	1	2	3	4	5	6
Total	2	30	49	14	5	0

Study Generalizability and Interpretability

28. The study contains static correlational analysis only, which does not permit cause-effect inferences to be drawn.

	1	2	3	4	5	6
Total	0	64	24	10	1	1

29. It is a laboratory study and gives no evidence of generalizability to other samples or situations.

	1	2	3	4	5	6
Total	1	41	28	18	11	1

30. It is a one-company field study and gives no evidence of generalizability to other companies.

	1	2	3	4	5	6
Total	1	35	29	18	15	2

Author Reputation

31. You know the author's identity and believe that the person(s) has a justifiably strong reputation in the area in which they write.

	1	2	3	4	5	6
Total	18	80	1	0	0	1

32. You know the author's identity and believe that the person(s) has no reputation in the area in which they write.

	1	2	3	4	5	6
Total	0	91	6	1	1	1

Design and Analysis Characteristics

33. The study is based on a sample size of less than 30.

	1	2	3	4	5	6
Total	0	44	20	19	13	4

34. The study is an experiment but contains no control group.

	1	2	3	4	5	6
Total	0	27	20	30	15	8

35. The author uses parametric statistical tests, although the data are ordinal (the sample is fairly large).

	1	2	3	4	5	6
Total	0	27	36	21	15	1

Manuscript Length

36. The manuscript is twice as long as those full-sized articles usually appearing in the journal and cannot intelligibly be condensed or divided.

	1	2	3	4	5	6
Total	0	29	34	25	8	4

37. The manuscript is half as long as those smaller articles usually appearing in the journal (and for some reason cannot be treated as a "research note").

	1	2	3	4	5	6
Total	8	58	22	10	2	0

1. Would add to the likelihood that you would recommend acceptance.
2. Would count neither for nor against the article.
3. Would count against the article, but not enough to cause you to recommend rejection.
4. Would count against the article, and might cause you to recommend rejection.
5. Would probably cause you to recommend rejection.
6. Would almost surely cause you to recommend rejection.

### Conclusion

Manuscripts would have an increased probability of acceptance when they contained: a new theory; significant results; or the topic is of interest to the field. Variables which increase the possibility of reject include: a fully published proceeding at a regional or

national meeting; direct replication of a study; a topic well outside the mainstream; no new data; lack of generalizability; small sample size; no control group; and improper use of statistics. By knowing in advance the specific variables leading to rejection and acceptance, researchers will be empowered to design more fundamentally sound research projects.

---

### REFERENCES

- Beyer, J.M., (1978), "Editorial Policies and Practices Among Leading Journals in Four Scientific Fields," *Sociological Quarterly* 19, 68-88.
- Cummings, L. and P. Frost, (1985), *Publishing in the Organizational Science*, Homewood, IL, Richard D. Irwin.
- Jauch, L, and J. Wall, (1989), "What They Do When They Get Your Manuscript: A Survey of Academy of Management Review Practices," *Academy of Management Journal*, 32, 157-173.
- Kerr, S., J. Tolliver and D. Petree, (1977), "Manuscript Characteristics which Influence Acceptance for Management and Social Science Journals," *Academy of Management Journal*, 20, 132-141.



# THE EMIC VERSUS ETIC DILEMMA IN CROSS CULTURAL MARKETING RESEARCH: A PERSONAL CONSTRUCT THEORY PERSPECTIVE

Richard E. Plank, Western Michigan University

---

## ABSTRACT

*Cross-cultural research in marketing, particularly involving the measurement of behaviors and attitudes using methodologies which require the respondent to respond to scale type questions, is difficult as well as time and resource intensive. A major issue is the so called emic versus etic dilemma which focuses on whether or not the measure is culture bound (EMIC) or can be used across all cultures (ETIC). This paper argues, based on personal construct theory, that behavioral type measures or scales must be examined within each cultural domain to determine if the construct and its measure is relevant in cultural context and provides a method to do it.*

---

## INTRODUCTION

Surprisingly, there has been little research on the topic of etic versus emic scales and the problem of cultural impact on meaning and scaling of constructs. (Herche, Swenson, and Verbeke 1996). Emic instruments, those which are culture bound, if used in inappropriate research venues result in research which is neither valid nor reliable in any sense. Since marketing scholars often use scaling methodologies, often using scales borrowed from other contexts, notably from psychological research, and since most of these scales have been developed in the U.S., it is important to determine if the scales are appropriate for use in other cultures. Obviously, in developing new constructs and measures of those constructs, the pursuit of etic concepts, if possible, allows for cross-cultural research.

Yu, Keown, and Jacobs (1993) in reviewing attitude scaling for cross-cultural research cite six major methodological issues; functional equivalence, conceptual equivalence, instrument equivalence, sample selection, data collection methods, and data analysis. Conceptual and instrument equivalence are of interest here.

Conceptual equivalence refers to the culture boundness of many concepts which are also often time bound as well (Hage 1972). Instrument equivalence, which includes both the measurement and vocabulary aspects, refers to the fact that the instrument must be at least "culture fair" (Yu, Keown, and Jacobs 1993), to respondents in multiple cultures under study. From a

theory development perspective Hage (1972) notes the importance of developing timeless and nonculture bound concepts, specifying them carefully, and then developing operational definitions that correspond. One might argue that a valid concept is one where the theoretical and operational definitions have a "one-to-one" correspondence.

Personal Construct Theory is a useful theoretical perspective to understand and deal with the problems of culture and its impact on the theoretical and operational specifications of constructs. Personal Construct Theory, originally developed by Kelly (1955), is a personality theory which seeks to provide a theoretical basis for understanding and predicting an individual's interpretation of their environment and hence their reactions to it. The theory itself, has been extensively discussed in the marketing literature by both Reynolds and Darden (1974) and Plank and Greene (1996). It has also been used to examine various aspects of the construction of "group realities" including families (Proctor 1996); cultures (Ross 1996; Jankowicz 1996), and Organizations (Kalekin-Fishman; Tooth 1996).

The theory consists of a fundamental postulate and a series of 11 corollaries. The heart of the theory is that it defines personality and resulting behavior as a function of differences in individual cognitive structures. A basic notion of the theory is the use of "personal constructs" which are abstract mental representations of other people or objects within the environment. From a practical perspective, these constructs are often described in adjective form and it is the various techniques for the

solicitation of these constructs that provide some practical insight in developing both theoretical as well as operational definitions of constructs that are etc.

Construct elicitation is the process of determining the nature and type of constructs that individuals use to describe their environment. The basis for most work in personal constructs has used some form of the repertory grid. In the marketing literature, most recent applications of repertory grid methodologies have used laddering as a means to examine means-end chain models (Reynolds and Gutman 1984; Reynolds and Gutman 1988; Claey's, Swinnen and Abeele 1995; Grunert and Grunert 1995; Hines and O'Neal 1995; and Gengler and Reynolds 1995). This particular approach has also engendered software to make the analysis process easier (Lastovicka 1995).

There are, however, many methods for eliciting and analyzing personal constructs. The original method was a triadic approach, however, there are dyadic approaches, monadic procedures, ordinal elicitation procedures, and self characterization procedures. Other newer techniques are also available (Epting, Probert, and Pittman (1993). How to elicit constructs which provide a means to determine the appropriateness of a construct and its measure before data collection as well as some quantitative methods will be discussed to evaluate existing scales (Peng, Peterson, and Shyi (1991).

## THE FUNDAMENTAL PROBLEM

From a theoretical perspective, the fundamental problem is two-fold. The first question is simply is the theoretical definition of the construct as stated appropriate for the culture in which it is being used. If the construct is culture or time bound, that means that it may be inappropriate for the particular culture as well as the time period in question. In the sociology literature Hage (1972) suggested that such theoretical concepts as bureaucracy were either culture or time bound whereas the construct degree of complexity was not likely to be time or culture bound.

The second issue deals with the operational definition of the theoretical concept. The question becomes do the indicators have meaning to the respondent in light of culture and time. In other words, is this how the respondent defines the construct in their own mind. Just because a sentence or idea translates from one language to another does not mean that the idea is the same for both cultures, or for that matter even among different people from the same culture. Personal

construct theory provides some insights into this issue as well as some methods for establishing whether or not a measure is culture free.

Hofstede (1980) provides some additional interesting commentary on the general problem. He notes that ethnocentrism is present in most measures used in cross cultural research, and thus instruments should be developed cross-culturally. In fact, he notes that ethnocentrism is common not only in research design and instrumentation, but also in data collection and in data analysis. He also points out that translation and back translation are not always foolproof and depend on the skills of the translator. He also suggests that using a panel of bilingual readers familiar with the content matter is less costly and may be just as good or even better than a pure back translation. Finally he suggests that quantitative analysis such as factor analysis is useful, but care must be taken to ensure that any differences are due to culture and not to other factors such as social status, sex or age, for example.

Therefore, we can construe our problem in terms of two related issues, first is the construct relevant and then are the measures we use to operationalize that construct relevant. Simple construct elicitation techniques can be used to determine prior to undertaking the study, whether or not the construct is relevant and if it can be measured as suggested by the measure.

## PERSONAL CONSTRUCT THEORY

Personal Construct Theory was developed by Kelly (1955) during a 20 year period of clinical psychological activity. It consists of a basic postulate and 11 corollaries. In the marketing literature, Reynolds and Darden (1974) describe the theory at length and argue it is an underlying theory for understand psychographics. More recently Greene (1990) has used the theory to examine opinion leadership communication behavior and Buttle (1992) has used the theory to reexamine the shopping motives issue originally done by Tauber (1972).

The fundamental metaphor used by Kelly is the "Man as Scientist". The notion of constructive alternativism assumes that each person is concerned with the prediction and control of their universe and that they represent their worlds by creating patterns or constructions and interpreting and comparing them to their perceptions of what happens. The basic postulate states "A person's processes are psychologically channelized by the ways in which he anticipates events." Thus they anticipate events, and compare their anticipations to their view of

the reality of these events and act accordingly. They are active not passive, each person may construe the universe very differently, and in general people seek to improve their construct repertoires by altering them and by organizing them into systems.

The eleven corollaries relate to how this process takes place, what shapes peoples constructions, and how they are actually represented. Reynolds and Darden (1974) do an excellent job of describing the theory and Kelly (1968) presents a very coherent short version of his own thinking.

### **Fundamental Postulate**

Kelly is primarily interested in the interactions among people, but he recognizes clearly the interactions going on within people. The fundamental postulate is "a person's processes are psychologically channelized by the ways in which they anticipate events". Kelly (1968) rather carefully discusses the choice of each word in explaining exactly what the postulate means. He is interested in people, not animals or inanimate objects, but persons are the focus of the theory. The person is in a sense an event that expresses his or her own personality. Kelly denies the necessity to invoke such notions as drives, cues or force to explain why the person does not remain inert. It is a psychological theory. The term channelized was chosen as being less likely to imply dynamics, the person is always in motion. Thus, he notes, we are not trying to explain the why of motion, but the direction of the process. Finally the idea of ways of anticipating events cuts this theory free from any notions of stimulus response.

The core of the theory are the concepts of construing and the constructs themselves which have very specific meanings. Construing is the act of interpreting an environment. People perceive the environment and make some sense of it. A construct is a way in which some things are seen as alike or different from other things. It is essentially a term that has a specific meaning to the individual and that the individual uses to order their world. Each construct has a range of convenience for the individual or in other words a limit to how and when the construct is used to understand the world. They do not always have precise dimensions, nor can they always be verbalized, in fact some may be nonverbal or preverbal. Not all constructs are equal and Kelly provides a number of constructs which differentiate the types of constructs people have. As an example, some constructs are superordinate, that is they subsume others. When a particular interpretation is unclear or by using more than

one construct, the interpretation is in conflict, individuals revert to the superordinate construct.

### **Corollaries**

While the corollaries are important from a theoretical perspective, they have been discussed at length by both Reynolds and Darden (1974) and Plank and Greene (1996). However, the theory argues that individuals differ from one another in how they interpret their environment, evolve different construction systems to aid in interpretation, have different experiences that lead to different construct systems, and that individuals play an important role in the construction systems of others to the extent that they construe processes of another. All of this suggest that individuals differ from one another, but that social relations, including the culture can have a big impact on the nature of construct systems of both individuals and groups in a society.

### **DEALING WITH CULTURE IN CONSTRUCTS AND MEASURES**

A major strength as well as weakness of personal construct theory has been its reliance on the repertory grid as a major methodological tool. A major question that is still being argued is should the constructs be elicited or should they be supplied (Fransella and Bannister 1977). To some degree that appears to depend on the nature of the research project and the ability of the respondent to provide constructs.

Given the nature of the problem being addressed here, the issue requires the elicitation of constructs, rather than to assume the particular constructs being supplied are relevant. Kelly (1955) originally described six ways of construct elicitation and these are described in both the above reference and in Fransella and Bannister (1977). All of the original methods are triadic, in the sense that the individual respondent eventually responds to them by comparing them 3 at a time. Other methods discussed by Fransella and Bannister include dyads, laddering, constructing pyramids, and self characterization. In addition, as noted previously, there are several newer methods that have been suggested (Epting, Probert, and Pittman 1993).

The following construct elicitation procedure is suggested for dealing with the issue of defining the cultural appropriateness of a construct and its operational measures.

1. Use native born respondents and conduct the

process in the native language. Depending on the type of construct, make sure the respondents are capable of understanding the concept and that if apparent in the culture, that it would be at least somewhat important to them. For example, if you are examining the concept of role conflict in sales you want to choose people who are in sales and who are likely to experience role conflict if the construct exists. Probably 10 respondents would be enough.

2. Given the nature of the construct you are trying to elicit or discover you must then develop a scenario and get the respondent to think about that scenario. This is very similar to constructing pyramids as suggested by Landfield (1971) and the self characterization technique except that most people use these techniques to describe people and ascertain the constructs used, not a scenario. The scenario should revolve around the construct and the respondent should be encouraged to react to the scenario with whatever comes to mind. Extreme care needs to be taken in the scenario development as the scenario must have evident at least three or four separate constructs. In the sales example you might develop a scenario that the respondent reads that alludes to role conflict, role ambiguity, sales call reluctance, and one or two other concepts and issues which are not directly related. You are best to develop two distinct scenarios, each with the construct of interest and other related and non related constructs.
3. The respondent is asked to read the scenario and to describe in their own words what is going on. What are the major issues and concerns you would have if you were in this situation. You try and get them to list them. You then ask them for each issue and concern, whether or not this has happened to them before, or to anyone else they know about. The key is to determine if the respondent identifies the concept of interest. If they consistently do and can talk about it then the concept has some meaning to them. If they do not identify it, then it does not. You attempt to get them to connect their statements in some sort of pyramid so you can ascertain, not only their definition of the concept, but also the way they understand and relate to it.
4. Assuming respondents can identify the construct you create a theoretical definition from the discussions with the first set of respondents. If the construct is culture free, or at least "culture fair", in all likelihood, the definition will be very similar to the

one you have constructed in your own language, but translated.

5. The last step is to deal with the measurement indicators. Using 10 new respondents and a free elicitation technique you simply ask them to describe or further define the concept, in this case role conflict. What you then do is match their responses to the scale indicator responses. What you are trying to do is get them to give you the scale items. There are no rules of thumb, but if you have 10 respondents and they all on average offer three of the five indicators for your scale you probably have a good match.<sup>1</sup> If very few are matched you have a problem, but you now have the indicators which you can use to create a new scale which has meaning. Since you are using a small number of respondents, their choice is obviously critical.

While it is preferable to analyze each measure prior to beginning a study in a different culture, it is possible to determine if in fact, you do have a problem after the study is completed. However, if you have found the scale to be a problem, your entire study may be worthless and you will not be sure how to fix it.

The primary method used to examine the reliability and validity of scales is factor analysis and the methods of confirmatory factor analysis. If a scale is culture free, one would expect that, regardless of culture, the scale would factor with the same or very similar structure. In other words, if I had a construct which has 15 indicators which loaded on three subconstructs, I would expect a reasonably similar loading in another culture. Preferably the same factor structure and items loading on the same factors, but probably with different weights. While this is a very conservative rule, and most scales don't appear to exhibit this kind of stability, it is reasonable to expect at least some convergence, if not perfect.

There are a number of problems associated with trying to determine if a scale is appropriate after data collection. Many of the constructs and scales used in social science research have been developed before the advent of the more robust analytical techniques such as confirmatory factor analysis. While information on scale validity and reliability may exist in some form, unless it has been subjected to the newer analysis there is a comparison problem.

Another problem with this approach should also be obvious. If the scale factors very differently, you really don't have any idea about what is causing it and what you

have developed. It is possible to hazard "a guess" based on the examination of the disturbances with CFA, based on a single sample, and you may be able to modify the scale, but you really are operating in the realm of speculation. However, by carefully using construct elicitation techniques prior to the study you would already know what some of the problems were and could predict, to some extent your findings. If you were to run the scale several times and got similar results in your new culture you could then make some statements about the nature of the construct and its measures. The chances are, however, that follow up studies might produce somewhat different results and then you have nothing. It pays to do the work up front and avoid the potential for doing a great deal of work and having no outcomes with any meaning.

### SUMMARY

This paper has suggested that cross cultural research needs to first ascertain whether or not the theoretical constructs being used in one culture are culture free or at least "culture fair" in a different cultural environment. It

has suggested that people in different cultures perceive their environment differently and thus constructs from one culture may either have a different meaning than in another culture or may exhibit different indicators. Personal construct theory predicts and explains how people form perceptual/cognitive systems and provides some techniques for determining the contents as well as make up of those systems thus providing insight into how an individual interprets their environment.

Research done without verifying the impact of culture on the theoretical and operational concepts probably has little value given the voluminous study that has determined the ubiquitous impact of culture on behavioral response to the environment. While it is possible to ascertain, after the fact, that a concept may be equivalent, or at least its measure is equivalent, those studies which do not provide such empirical verification are of little value if we have any reason to suspect their might be a problem. And, if the study finds significant problems, then these are going to be difficult to interpret, after the fact.

---

### REFERENCES

- Claeys, C., A. Swinnen, and P. Abeele (1995), "Consumers' Means-end Chains for "Think" and "Feel" Products," *International Journal of Research in Marketing*, 12,3 193-208.
- Epting, F., J.S. Probert, and S.D. Pittman (1993), "Alternative Strategies for Construct Elicitation: Experimenting with Experience," *International Journal of Personal Construct Psychology*, 6,1 79-98.
- Fransella and J. Bannister (1977), *A Manual for Repertory Grid Technique*, New York: Academic Press.
- Gengler, C.E. and T.J. Reynolds (1995), "Consumer Understanding and Advertising Strategy: Analysis and Strategic Translation of Laddering Data," *Journal of Advertising Research*, 35,4 19-33.
- Grunert, H.G and S.C. Grunert (1995), "Measuring Subjective Meaning Structures by Laddering Method: Theoretical Considerations and Methodological Problems," *International Journal of Research in Marketing*, 12,3 209-225.
- Hage, J. (1972), *Techniques and Problems of Theory Construction in Sociology*, New York: John Wiley.
- Herche, J., M. Swenson, and W. Verbeke (1996), "Personal Selling Constructs and Measures: Emic Versus Etic Approaches to Cross-national Research," *European Journal of Marketing*, 30,7 83-97.
- Hines, C. and J. O'Neal (1995), "Underlying Determinants of Clothing Quality: The Consumers Perspective," *Clothing and Textiles Research Journal*, 13,4 227-233.
- Hofstede, G. (1980), *Culture's Consequences International Differences in Work-Related Values*, Newbury Park, CA: Sage Publications.
- Jankowicz, A.D. (1996), "The Construing of Teaching Microcultures in Eastern Europe: A Dialogue in Three Voices," in Kalekin-Fishman and

- Walker (eds.) *The Construction of Group Realities*, Malabar, Kreiger Publishing.
- Kalekin-Fishman, D. (1996), "Organization as a Constructed Context," FL: in Kalekin-Fishman and Walker (eds.) *The Construction of Group Realities*, Malabar, Kreiger Publishing.
- Kelly, G. (1955), *The Psychology of Personal Constructs*, New York: N. W. Norton.
- Landfield, A.W. (1971), *Personal Construct Systems in Psychotherapy*, Chicago: Rand McNally.
- Lastovicka, J. (1995), "Laddermap--Version 4.0 by Chuck Gengler," *Journal of Marketing Research*, 32,4 494-496.
- Peng, T.K., M.F. Peterson, and Y.P. Shyi (1991), "Quantitative Methods in Cross-National Management Research," *Journal of Organizational Behavior*, 12,2 87-107.
- Plank, Richard E. and J. Greene (1996), "Personal Construct Psychology and Personal Selling Performance," *European Journal of Marketing*, 30,7 25-48.
- Proctor, H. (1996), "The Family Construct System," in Kalekin-Fishman and Walker (eds.) *The Construction of Group Realities*, Malabar, FL: Kreiger Publishing.
- Reynolds, F. and W. Darden (1974), "Construing Life Style and Psychographics," in W.D. Wells (ed), *Life Style and Psychographics*, Chicago: American Marketing Association, 73-95.
- Reynolds, F. and J. Gutman (1984), "Laddering: Extending the Repertory Grid Methodology to Construct-Attribute-Consequence-Value Hierarchies," in Pitts and Woodside (eds) *Personal Values and Consumer Psychology*, Lexington, MA: Lexington Books, 155-167.
- Reynolds, F. and J. Gutman (1988), "Laddering Theory, Method, Analysis, and Interpretation," *Journal of Advertising Research*, 28,1 11-31.
- Ross, H. (1996), "Construing Across Cultures: Aboriginal Australians Construe Their Housing and Histories," in Kalekin-Fishman and Walker (eds.) *The Construction of Group Realities*, Malabar, FL: Kreiger Publishing.
- Tooth, B. (1996), "Group Construing: The Impact of Professional Training," in Kalekin-Fishman and Walker (eds.) *The Construction of Group Realities*, Malabar, FL: Kreiger Publishing.
- Yu, J., C.F. Keown, and C.W. Jacobs (1993), "Attitude Scale Methodology: Cross-Cultural Implications," *Journal of International Consumer Marketing*, 6,2 45-64.

#### FOOTNOTES

1. Ideally it would be appropriate to have as many people as possible be able to identify the full set of measurement indicators. However, personal construct theory also deals with the structure of the construct system as well as the content. Much research has indicated that persons vary in the complexity of their cognitive systems (cognitive complexity). Hundreds of empirical research studies

utilizing 25 different measures of cognitive complexity, have all indicated that there is significance variance across individuals, with the great majority of people being moderately complex and the tails of the distributions being fairly small. Thus we would expect that most people would fall in the range of providing 3 indicators of 5.

# DOMESTIC VS. INTERNATIONAL RETAIL ORGANIZATIONS: WHAT ARE THE DIFFERENCES?

*Irena Vida, University of Wisconsin-Madison*

---

## ABSTRACT

*The purpose of this empirical study was to gain insights into the differences between retailers with currently active operations in international markets and retailers focusing solely on their domestic markets. The findings indicated that characteristics related to the quality of management, retail specific core competencies and firm's size distinguished the two groups of retail organizations*

---

## INTRODUCTION

After decades of being thought of as an activity confined to domestic and culturally cohesive markets, international retail expansion has now become reality for retailers in the developed economies and mature retail markets. Recent reports provide examples of several well-known European and U.S. retailers which chose the path of internationalization as the focus for their future growth strategies (Cohen, 1996). While the evidence of an increasing retail globalization is indisputable, academic research in this area has lagged behind the 'real world' activities. Existing knowledge of retailers' international expansion is presently contributions by large consulting companies, and to examinations of individual retail organizations with more or less successful international operations. As a result, several researchers have called for more theory based investigations of international retail expansion by drawing on existing knowledge (Akehurst and Alexander, 1995). In view of the dearth of empirical work addressing international expansion of U.S. retailers, this study represents the first step toward filling an existing gap in academic research. The purpose of this study was to gain insights into the differences between retail organizations with currently active operations in international markets and retail organizations with the focus on their domestic markets.

## THEORETICAL BACKGROUND AND RESEARCH QUESTIONS

Retailing literature offers only limited guidance in understanding and explaining international expansion of firms in the retail industry. Researchers have proposed and used various models in previous conceptual and empirical studies on retail internationalization. At a current time, however, there seems to be no agreement

among researchers as to which of the proposed models would serve best in providing a better understanding of the international retail expansion. One of the reasons for this situation might lie in the fact that very few retail researchers have actually followed up their proposed conceptual models with empirical work.

This study fills this void in that it inquires into some of the propositions put forth in models previously proposed in the retail literature. Two of the existing descriptive models which comprehensively address issues of retail internationalization are a dynamic model of factors influencing retail internationalization process (Vida and Fairhurst, 1995), and a model of international retail involvement focusing solely on organizational drivers of international retail expansion (Vida, 1997). In addition to other proposed relationships, both retail specific models emphasize the crucial impact of the decision maker's characteristics (e.g., experience and attitudes of management), and organizational characteristics (e.g., the retailer's comparative advantage and its resources) in the initiation of international retail expansion. Common to both models is that they attempt to provide an understanding of general and industry specific factors facilitating or impeding the internationalization process. Furthermore, both models are based on theoretical underpinnings from international management literature (e.g., Cavusgil, 1984; Johanson and Vahle, 1977; 1990; Perlmutter, 1969).

Based on these conceptualizations and the existing research on retail internationalization (e.g., McGoldrick and Davies, 1995; Tordjman, 1995; Whitehead, 1992; Williams, 1991) the following four research questions were proposed in this study:  
Do retail organizations with current international retail operations differ in their managements' expertise

from retail organizations with solely domestic markets focus?

- Do retail organizations with international retail operations differ in their managements' perceptions towards internationalization from retail organizations with solely domestic markets focus?
- Do retail organizations with international retail operations differ in their retail specific competencies from retail organizations with solely domestic markets focus?
- Do retail organizations with and without international retail operations differ in their organizations' dimensional factors such as the firm's size, the number of retail stores in the home market and the number of states in which the firm operates retail stores?

### METHODOLOGY

The primary data for this study was generated via mail survey from retail firms' top executives who assumed the role of key informants. Criterion-based sampling was used to identify a sample of U.S. retailers with high potential to operate retail stores in international markets. The mail survey followed the guidelines provided by Mangione (1995) and involved four consecutive mailings. Of the 341 retail chains meeting the criteria for sample selection, usable responses were obtained from 73 retail chains, representing a response rate of 21.41 percent.

While the key dependent variable was defined dichotomously, independent variables, i.e., management's expertise, perceptions towards international expansion and retail specific core competencies were perceptual variables measured with a number of indicators on 7-point Likert-type and interval scales. Further information sought with the instrument pertained to the retail organizations' past, present and future plans for international involvement, and to the extent of the retailers' present international involvement.

The mean dollar sales volume for the total sample of the participating retail organizations was over four billion dollars; the sales volume in the sample ranged between 25 million and almost 75 billion dollars. Due to this quite diverse sample of retailers (i.e., high standard deviation), the median sales volume of one billion dollars appears to be a more valid measure. Twenty-four or almost 33 percent of the total 73 retail chains presently operated at least one retail store in markets other than the U.S.. Thirty-six of the total of 49 retailers with solely domestic focus indicated that they are not interested in

international expansion, and 15 retail chains planned international expansion within the next three to five years.

### ANALYSIS AND FINDINGS

Data generated with a questionnaire were analyzed using a series of Multivariate Analysis of Variance (MANOVA). The first research question pertained to the role of retail managements' expertise of international vs. domestic retailers. Table 1 shows the results of this analysis, indicating that collectively and individually - all four management expertise dimensions contributed significantly in discriminating the two groups of retail organizations. Hotellings' test as well as univariate F-tests were significant at the 0.01 significance level.

The results of the second research question, i.e., whether or not international and domestic retailers differed in terms of management perceptions regarding the complexity, resources needed, cost, risk, opportunities and returns associated with international retail expansion, are presented in Table 2. The Hotellings' test indicated that there were significant differences in management perceptions between the two groups of retailers at the 0.01 significance level. Univariate tests of individual dimensions of this construct revealed that perceptions related to the complexity of international retailing due to different cultures and languages, perceptions regarding the resources needed and costs associated with international expansion, and perceptions of feasibility of internationalization for future growth of a retailer were significant at the 0.01 level. The two types of retail organizations also differed significantly (at the 0.05 level) in terms of their perceptions related to the returns (e.g., long-term profits) associated with international expansion. On the other hand, the two groups of retailers did not differ in their beliefs that the risk associated with international expansion is higher than domestically. These results attest to the role of positive managerial perceptions and attitudes toward internationalization as reflected in the attitudinal and export stages



**Table 1. Management Expertise by Retailer Internationalization**

Test	Value	F	DF	Significance
Hotellings' T	.86859	11.46541	5	.000**
Univariate F-tests/ Variable	International Focus	Domestic Focus	F-Ratio	Significance of F
Hand-on Experience	4.67	2.16	34.308	.000**
Foreign travel	4.54	2.59	15.750	.000**
International Knowledge	4.71	2.58	28.000	.000**
International Expertise	4.29	1.90	52.373	.000**

\*\* indicates significance at  $p < 0.01$  level

**Table 2. Management Perceptions by Retailer Internationalization**

Test	Value	F	DF	Significance
Hotellings' T	0.51469	4.77927	7	.000**
Univariate F-tests/ Variable	International Focus	Domestic Focus	F-Ratio	Significance of F
Complexity	4.29	2.65	22.908	.000**
Resources	4.92	3.71	9.971	.002**
Returns	4.50	3.80	5.561	.021*
Cost	5.96	4.73	14.451	.000**
Risk	3.08	2.69	1.881	.175
Opportunities	4.67	4.06	3.609	.062*
Feasibility	5.37	4.39	8.366	.005**

\* indicates significance at  $p < 0.05$  level; \*\* indicates significance at  $p < 0.01$  level

**Table 3. Retail Specific Competencies in International Retailing**

Test	Value	F	DF	Significance
Hotellings' T	.32084	2.88754	7	.011*
Univariate F-tests/ Variable	International Focus	Domestic Focus	F-Ratio	Significance of F
Breadth of Products	5.83	4.78	7.181	.009**
Depth of Products	6.04	5.25	6.132	.016*
Facilities	6.21	5.20	8.774	.004**
Technology	5.00	4.52	1.415	.238
Distribution	5.38	4.92	1.839	.179
Suppliers	6.29	5.31	13.401	.000**
Retail Concept	4.88	5.04	.216	.644

\* indicates significance at  $p < 0.05$  level; \*\* indicates significance at  $p < 0.01$  level

models inherent in the retail models used as conceptual framework in this study (Pelmutter, 1969; Cavusgil, 1984).

The third research question pertained to the role of retail specific core competencies in international retail expansion. As shown in Table 3, respondents' evaluation of their retail chains' core competencies differed significantly (at the 0.05 level) between retail organizations with and without international operations. As indicated by univariate tests, the two groups differed in particular in terms of retail specific competencies in the breadth of product offerings (i.e., merchandise assortment), retail facilities and strength of relationship with their suppliers (at the 0.01 level), and in the depth of their product offerings (at the 0.05 level). The two groups did not differ in terms of executives' evaluations regarding their competencies in retail technology, distribution and uniqueness of retail concept as compared to their domestic competitors. While it was somewhat surprising to find that retail technology or advantages in product distribution played rather insignificant role, the finding as regards the role of the uniqueness of retail concept is not new in international retailing literature. That latter indicates that retailers tend to expand into international markets with proven retail formulas rather than new and unique ones.

Overall, these results coincide with some of the findings in previous empirical work conducted in Europe (Myers and Alexander, 1997) and in the United Kingdom (Williams, 1991). As the latter researcher concluded, retailer differential advantages ought to be used as a basic evaluative criteria for both retailers contemplating internationalization and existing international retailers.

Finally, the last research question inquired into the role of the retailer's dimensional characteristics in international retailing. Hotellings' test revealed that there were significant differences between retail organizations with and without international operations in this organizational parameter, which was measured collectively by a retailer's size (its sales volume and number of full-time employees), the number of retail stores operated domestically and the number of states in which retailers operated their stores in the U.S. The univariate test also confirmed the two groups of retailers differed significantly on all four measures. This finding indicates that, for the sample in this study, larger retail companies with a broader domestic coverage were more likely to expand internationally.

## CONCLUSIONS AND IMPLICATIONS

The results of this study indicated that the two groups of retail organizations differed significantly on all four characteristics, and revealed the importance of individual measures of these concepts. The findings of this introductory analysis are encouraging as they confirm some of the notions previously proposed in the retail literature. The results provide preliminary insights into complex and increasingly important decisions made by a growing number of retail firms.

Empirical studies such as this one have important implications for retail practitioners. The findings make it apparent that in considering international expansion, management needs to carefully evaluate their decision-making team's expertise and experience in regards to international activities. Retailer management ought to consider how attractive the international retail expansion could prove to be in relation to their specific retail establishments. Unless the decision-makers have favorable views in regards to aspects that could represent a barrier to establishing international operations, such as the complexity of transferring store operations into different cultures across borders, the impact of internationalization on the retail chain's resources, and the overall feasibility of internationalization, it is unlikely that a decision for growth in markets other than the home market will be made. Additional consideration deserving a special attention by decision-makers relates to retail specific core competencies. The results of this study suggest that competitiveness in terms of a retailer's breadth and depth of offerings, retail facilities and a retailer's relationship with the suppliers account for major differences between international and domestic retail organizations.

Considering the presently limited population of international retailers operating in the U.S., the "eliteness" of the group of participating informants (retail executives) and the scarcity of quantitative studies investigating international retail expansion, this study provides an important contribution towards better understanding of this phenomenon. If the pursuit of global business operations will indeed represent one of the most prominent trends as the retail industry enters the new millennium (Cohen, 1996), further empirical examinations of international retail expansions are merited.

---

## REFERENCES

- Akehurst, Gary and Nicholas Alexander. (1995). "Developing a Framework for the Study of the Internationalization of Retailing", *Service Industries Journal*, 15(4), 205-209.
- Cavusgil, Tamer S. (1984). "Organizational Characteristics Associated with Export Activity", *Journal of Management Studies*, 21 (1), 3-50.
- Cohen, Irwin S., Managing Partner of Deloitte & Touche. (1996). "The 21<sup>st</sup> Century Vision of Retailing", Presented at the *1996 Global Retailing Symposium at the University of Arizona*, Tucson, AZ.
- Johanson, Jan and Jan-Erik Vahle. (1977). "The Internationalization Process of the Firm - A Model of Knowledge Development and Increasing Foreign Market Commitment", *Journal of International Business Studies*, 8 (Spring-Summer), 23-32.
- Johanson, Jan and Jan-Erik Vahle. (1990). "The Mechanism of Internationalization", *International Marketing Review*, 7 (4), 11-24.
- Mangione, Thomas W. (1995). *Mail Survey: Improving the Quality*. Applied Social Research Methods Series, V. 40. Thousand Oaks, CA: Sage Publications, Inc.
- McGoldrick, Peter J. and Gary Davies. (1995). *International Retailing: Trends and Strategies*. London, UK: Pitman Publishing.
- Myers, Hayley and Nicholas Alexander (1997). "The Evolution of Market Selection Criteria within International Retail Organizations: Conceptual Framework", *Proceedings of the 9th International Conference on Research in the Distributive Trades, (B1.1 - B1.10)*, Universiteit Leuven, Leuven, Belgium.
- Perlmutter, Howard V. (1969). "The Tortuous Evolution of the Multinational Corporation", *Columbia Journal of World Business*, January/February, 9-18.
- Vida, Irena. (1997). "Determinants of a Retail Firm's International Involvement (1997)." In Varble, Young, Maliche (eds.) *Marketing Management Association 1997 Proceedings*, 42-47.
- Vida, Irena and Ann E. Fairhurst. (1995). "A Model of Factors Influencing The Internationalization Process of A Retail Firm: Application to the U.S. Retailing Industry", *Proceedings of the 8th International Conference on Research in the Distributive Trades, (A7.38 - A7.45)*. CESCO, Centro di Studi sul Commercio, Milan, Italy: Universita Bocconi..
- Whitehead, Maureen B. (1992). "Internationalization of Retailing: Developing New Perspectives", *European Journal of Marketing*. 26(8/9), 74-79.
- Williams, David E. (1991). "Differential Firm Advantages and Retailer Internationalization", *International Journal of Retail and Distribution Management*, 19(4), 3-12.

# USE OF POWER AND SOURCES OF POWER IN INTERNATIONAL CHANNELS: THE CASE OF ELECTRIC AND ELECTRONIC INDUSTRIES IN TAIWAN

Monle Lee, Indiana University South Bend  
Shuei-Shen Liu, Da-Yeh Institute of Technology (Taiwan)

---

## ABSTRACT

*This study is designed to explore the power and the sources of power developed by export manufacturer to exert and influence on its domestic middlemen, foreign middlemen, and industrial users. The result show that a manufacturer's power varies with its organizational scale and with the types of its clients.*

---

## INTRODUCTION

Marketers must decide how to transport goods from manufacturing locations to the consumer (or industrial user in an industrial market). Although the distribution of goods can be handled completely by the manufacturer, often goods are moved through intermediaries, such as agents, wholesalers, distributors, and retailers. In international marketing channels of distribution, intermediaries are important for many export manufacturers. They assist manufacturers by opening doors to foreign markets, by building their sales volume, and by lowering their operating costs (Sachdev, Bello and Verhage 1995). Firms depend on other channel members for the performance of certain marketing activities. All channel members, therefore, must recognize and understand that the success of one firm in the channel of distribution depends, in part, on other firms in the channel. Thus marketing channel members should undertake actions which provide a coordinated effort to satisfy market requirements. Although distribution decisions need not precede other marketing decisions, they are a powerful influence on the rest of the marketing mix. Channel decisions are critical because they determine a product's market presence and the buyers' accessibility to that product.

Marketing channel effectiveness hinges on channel leadership. To become a leader, a channel member must want to influence and direct overall channel performance. Manufacturers, wholesalers, distributors, or retailers may assume this leadership (Little 1970). To attain desired objectives, the leader must possess channel

power. Power can be viewed in terms of the extent to which one channel member depends on another.

## LITERATURE REVIEW

Based on the works of French & Raven (1959), Emerson (1962) and Beier and Stern (1969), a model has been developed in which five major types of control potential (or sources of channel power) - economic rewards, coercion, expertness, reference, and legitimization - are identified. Raven and Kruglanski (1970) later added a sixth power source - information. A large number of research conducted during the last twenty some years has increased our understanding of channel power and sources of power relationship (e.g., El-Ansary and Stern 1972; Etgar 1976; Brown and Frazier 1978; Hunt, et al, 1987; Gaski 1992; Webb and Didow 1996; Rawwas et al 1997). In studies of channel control accomplished through exercise of power, many marketers reason that identifying the sources of channel power has been an important research objective. Simon (1953) suggested that the magnitude of the power source might be employed as an index of influence. By using Simon's concept, El-Ansary and Stern (1972) explained that a manufacturer who advertises directly to consumers maintains an influence base or power source relative to dealers who distribute his brand. A measure of the magnitude of advertising and the resulting consumer preference might be used as an index of the manufacturer's power over his dealers. Economic theory of industrial organization has shown that the absolute size of a firm is indicative of its market power (Shepherd 1990). Rosenbloom (1995) asserts that power is largely

dependent upon the size of the firm relative to other channel members. This assumes this type of comparison is made between two companies at the same level of a vertical hierarchy (e.g. manufacturer - manufacturer).

Virtually all of the major research on channel power and the sources of channel power has been performed in the context of multiple channels. For example; Etgar (1976) independent insurance agents, Lusch and Brown's (1982) franchised new car dealers, Skinner and Guiltinan's (1985) farm supplies dealers, and Al-Motawa & Ahmed's (1996) automobile agents. However, in the international marketing context, many manufacturers depend on several types of middlemen at the same time in different foreign markets. The same may true in a single foreign market. Sachdev, Bello, and Verhage (1995) only asked export manufacturers identify their primary intermediary. Hahn, Shin, and Kim (1996) found manufacturers in the Korean pharmaceutical industry distribute products through internal salespeople, wholesalers, pharmacies, and hospitals. Although their survey asked manufacturing pharmaceuticals about the firms' reliance on integrated channels (channel selection, control, and satisfaction), their study did not explore the issue of manufacturers' control on different types of middlemen.

Therefore, the objectives of this study are to: 1) explore the power and the sources of power developed by export manufacturer to exert and influence on its middlemen; 2) evaluate whether the manufacturer's power vary with its organizational scale and with the types of its clients. However, the results and findings of this paper are only part of a larger study.

## **CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES**

Based on the above channel power and the sources of channel power studies, a conceptual framework from the international marketing channel context for this study is established as follows:

This framework describe how the use of power and the sources of power by export manufacturer relate to the manufacturer's organizational scale and the types of middlemen they use.

Based on the above conceptual framework, the following research hypotheses were developed.

**H1:** Export manufacturers with different organizational scale will exercise different sources of channel power over middlemen

**H2:** Export manufacturers will use different types of channel power over different types of middlemen

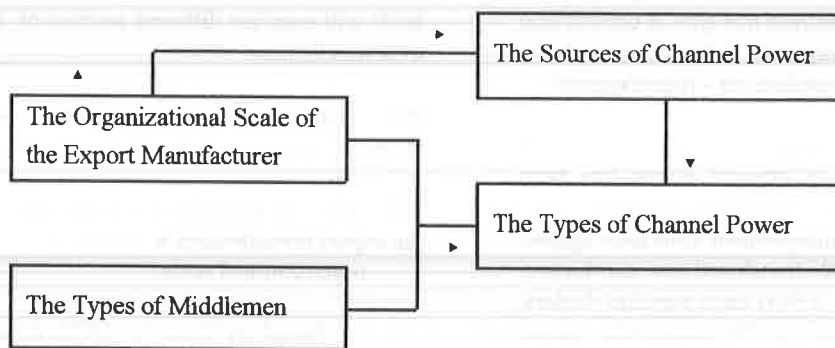
**H3:** The extent of channel power use will depend on the export manufacturer's organizational scale

Based on Swasy's (1978) development of an instrument to measure perceived social power and Etgar's (1978) and Chen's (1979) studies, this paper has identified nine important sources of power: ability to sell to other clients, manufacturer's contribution to middleman's profits (commission), after-sale service, product image, product lines completeness, price competitiveness, promptness of product delivery, advertising expenditures (extent of promotion), and cooperative advertising (help in retail advertising). Deutsch and Gerard (1955) indicated information power is "independent" of the influencing agent. That is, this power stems from the "logic," "reasoning" or importance of the communication provided by the influencing agent and is independent of the communicator. Therefore, a manufacturer's understanding of the market, the competition, and the products were used to assess the information power of the manufacturers.

## **Sampling Method**

There are two methods of measuring channel power (control): self-perceptions of various channel members and attributions given to them by other members. Export manufacturer's clients are located in both domestic and overseas markets. Therefore, it is difficult to use the attribution method to foreign middlemen. Empirical evidence from the field of social psychology supports the hypothesis that perceptions of one's own power position in a group are positively related to one's actual power position as attributed to other group members (e.g., Lippitt, et al 1952; Tagiuri, et al 1958; El-Ansary and Stern 1972). Our sample frame is the Buyers' Guide of Taiwan Electric and Electronic Trade Union which listed 3421 manufacturers alphabetically. According to a Taiwanese report on small and medium businesses, 37.93% of total sales were from small and medium manufacturers (the highest sector). Among this sector, the electric and electronic industries have the second highest sales amount (13.09%) (A Report on Small and Medium businesses 1994). Based

**Figure 1 Conceptual Framework**



on the estimated response rate, 850 firms were randomly selected. A total of 184 firms responded to the questionnaire showing a 21.65% response rate. Because of missing data or other reasons, 170 questionnaires were actually used for testing hypotheses.

### DISCUSSION

Overseas distributors are an important factor to a successful venture of a manufacturer involved in international marketing activities (Rosson and Ford 1982). Export manufacturers often rely on middlemen (e.g., foreign manufacturer, foreign middlemen, and domestic middlemen) for many marketing functions. For many export manufacturers, how to establish and maintain a relationship with their middlemen becomes vital to their success. Channel management is the determining factor in successfully implementing marketing mix strategy to help export businesses secure their presence in foreign markets. However, the effectiveness of channel management is, in turn, influenced by the interactions among channel members and their existing power structure.

The objectives of this study were to: 1) explore the power and the sources of power developed by export manufacturer to exert and influence on its middlemen; 2) evaluate whether the manufacturer's power vary with its organizational scale and with the types of its clients. The results show there are four sources of channel power: product and its delivery advantage, market pulling force, channel pushing force, and service and price advantage. Understanding the market, the competitors, the clients, and the products constitute the fifth source of power - information. Additionally, there are four export

manufacturer channel powers: order policy influence, brand name and advertising influence, channel structure resistance power, and the influence on price.

Taiwan has an export-oriented economy which depends on many of its small and medium businesses to compete in the world market. This study shows these small and medium export manufacturers have limited sources of power. The best source of power they have is product and its delivery advantage over which they have the most control. Compared to medium businesses, small manufacturers lack channel pushing force, market pulling force, and information power.

Export manufacturers had significant brand name and advertising influence over the different types of middlemen (e.g., foreign manufacturer, foreign middlemen, and domestic middlemen). Export manufacturers may also have some order policy influence over foreign middlemen, but it is not statistically significant. Additionally, the results indicate that there is relationship between order policy influence and the size of the organization and the relationship between channel structure resistance influence and the size of the organization.

In conclusion, export manufacturers with different organizational scale do exercise a variety of sources of channel power over middlemen. Export manufacturers do use different types of power over different types of middlemen. Lastly, the extent of channel power usage is determined by the export manufacturer's organizational scale. Therefore, all three hypotheses are accepted.

---

## REFERENCES

- A Report on Small and Medium Businesses* (1994). Office of Small and Medium Businesses, Bureau of Economics, Taiwan.
- Al-Motawa, Ahmed A. And Ahmed A. Ahmed (1996). "Control, Conflict and Satisfaction in International Channels: Autos in a Middle-Eastern Market," *Journal of Marketing Channels*, Vol. 5(3/4), 49-69.
- Beier, Frederick J. And Louis W. Stern (1969). "Power in the Channel of Distribution," in Louis W. Stern, ed., *Distribution Channels: Behavioral Dimensions*, Boston: Houghton Mifflin, 92-116.
- Brown, James R., and Gary L. Frazier (1978). "The Application of Channel Power: Its Effects and Connotations," in *Research Frontiers in Marketing: Dialogues and Directions*, Subhash C. Jain, ed., American Marketing Association, Chicago, 266-270.
- Chen, Si-Chen (1979). *Power Conflict and Control in the Channel of Distribution - the Case of Home Appliances Industry in Taiwan*, unpublished thesis, Cheng-Chi University, Taiwan.
- Deutsch, Morton and Harold Gerald (1955). "A Study of Normative and Informational Influence Upon Individual Judgment," *Journal of Abnormal and Social Psychology*, 51, 629-636.
- El-Ansary, Adel I. and Louis W. Stern (1972). "Power Measurement in the Distribution Channel," *Journal of Marketing Research*, Vol. IX (February), 47-52.
- El-Ansary, Adel I. and Robert A. Robicheaux (1974). "A Theory of Channel Control: Revisited," *Journal of Marketing*, Vol. 38 (January), 2-7.
- Emerson, Richard M. (1962). "Power Dependence Relations," *American Sociological Review*, 27 (February), 31-41.
- Etgar, Michael (1976). "Channel Domination and Countervailing Power in Distributive Channels," *Journal of Marketing Research*, Vol. XIII (August), 254-262.
- Etgar, Michael (1978). "Selection of An Effective Channel Control Mix," *Journal of Marketing*, (July), 53-58.
- French, John R. P. And Bertram Raven (1959). "The Bases of Social Power," in Darwin Cartwright, ed., *Studies in Social Power*, Ann Arbor: University of Michigan Press, 150-167.
- Gaski, John F. (1992). "Some Fundamental Conceptual Issues in Intrachannel Power Research," in *Advances in Distribution Channel Research*, Vol. 1, Gary L. Frazier, ed. Greenwich, CT: JAI Press.
- Hahn, Minhi, Changhoon Shin, and Choong-Ryuhn Kim (1996). "Channel Selection, Control, and Satisfaction of Manufacturers in the Korean Pharmaceutical Market," *Journal of Marketing Channels*, Vol. 5(1), 91-109.
- Hunt, Shelby D. And John R. Nevin (1974). "Power in a Channel of Distribution: Sources and Consequences," *Journal of Marketing Research*, Vol. XI (May), 186-193.
- Hunt, Kenneth A., John T. Mentzer, and Jeffrey E. Danes (1987). "The Effect of Power Sources on Compliance in a Channel of Distribution: A Causal Model," *Journal of Business Research*, 15, 377-395.
- Lippitt, Ronald, N., Polansky, F. Redl, and S. Rosen (1952). "The Dynamics of Power: A Field Study of Social Influence in Groups of Children," in George Swanson, T. N. Newcomb, and E. L. Hartley, eds., *Readings in Social Psychology*, New York: Henry Holt, 623-626.
- Little, Robert W. (1970). "The Marketing Channel: Who Should Lead This Extra-Corporate Organization?" *Journal of Marketing*, Vol. 34 (January), 31-38.

- Lusch, Robert F. and James R. Brown (1982). "A Modified Model of Power in the Marketing Channel," *Journal of Marketing Research*, Vol. XIX (August), 312-323.
- Raven, B. H. And A.W. Kruglanski (1970). "Conflict and Power," in *The Structure of Conflict*, P. Swinque, ed. Academic Press, New York.
- Rawwas, Mohammed Y.A., Scott J. Vitell, and James H. Barnes (1997). "Management of Conflict Using Individual Power Sources: A Retailers' Perspective," *Journal of Business Research*, 40, 49-64.
- Rosenbloom, Bert (1995). *Marketing Channels: A Management View* (5th ed.), Fort Worth, TX: Dryden Press.
- Rosson, P. And J.D. Ford (1982). "'Manufacturer-Overseas Distributor Relations and Export Performance,'" *Journal of International Business Studies*, (Fall), 57-72.
- Sachdev, Harash J., Daniel C. Ello, and Bronislaw J. Verhage (1995). "Export Involvement and Channel Conflict in a Manufacturer-Intermediary Relationship," *Journal of Marketing Channels*, Vol. 4(4), 37-63.
- Shepherd, William G. (1990). *The Economics of Industrial Organization*, Englewood Cliffs, NJ: Prentice-Hall.
- Simon, Herbert (1953). "Notes on the Observation and Measurement of Power," *Journal of Politics*, 15 (November), 500-518.
- Swasy, John L. (1978). "Measuring the Bases of Social Power," *Advances in Consumer Research*, Vol. VI, edited by William L. Wilkie, 340-346.
- Tagiuri, Renato, Jerome Bruner, and Robert Blake (1958). "On the Relations Between Feelings and Perceptions of Feeling Among Members of Small Groups," in E. Maccoby, T. Newcomb, and E. Hartley, eds., *Readings in Social Psychology*, New York: Holt, Rinehart, and Winston, 110-116.
- Webb, Kevin L. And Nicholas M. Didow (1996). "The Influence of Relative Power and Locus of Control on Channel Cooperation," *Journal of Marketing Channels*, Vol. 5(3/4), 71-93.



**ABSTRACTED FROM PANEL**

**IT'S NOT THE "TRANSPORTATION INDUSTRY" ANY  
LONGER: TOWARD AN INTERNATIONAL GROWTH  
MODEL OF MARKETING MANAGEMENT AND  
STRATEGY BASED ON SELECTED PORT  
DEVELOPMENT EXPERIENCE**

*Elaine S. Potoker, William Daniels, David Bridgens, Samkuty Chacko, Dmitry Konjaev, Jeffrey Viel, Maine Maritime Academy*

---

**ABSTRACT**

In 1960 T. Levitt pointed to the dangers of practicing "marketing myopia" in his classic article of the same name. In the spirit of the Levitt article, this paper points to a model for organizational growth based on selected analysis of port development within the U.S. and overseas. Topics and examples discussed involve several subsets of management and strategy: as examples, the

role and importance of relationship marketing, the interrelationships of logistics (to include transportation and supply chain management), new product/service development and promotional strategy. The objective of the model and examples provided offer insight across industries as to how contemporary organizations must poise themselves for growth.

---

Elaine Potoker, Loeb-Sullivan School of International Business and Logistics, Maine Maritime Academy, Castine, ME 04420

# STUDENT ETHNOCENTRISM AND ATTITUDES TOWARD INTERNATIONAL TRADE AGREEMENTS

*Michael R. Luthy, Drake University*  
*Rahul A. Parsa, Drake University*

---

## ABSTRACT

*Students were surveyed to determine the impact of ethnocentric tendencies on attitudes toward global trade agreements and the role life experiences, political affiliation, and avowed patriotism plays in their development. Results indicate that ethnocentrism is manifested in attitudes toward international trade agreements and that exposure to other cultures diffuses ethnocentrism.*

---

## INTRODUCTION

The concept of ethnocentrism, as originally developed by Sumner in the early part of this century (1906), is a strictly sociological factor in distinguishing differences between "in-groups," which an individual identifies with and "out-groups," regarded as antithetical to the in-group by the individual. Subsequently, the concept has been extended to psychology, (Levine and Campbell 1972), linking it to individual-level personality systems as well as more broad based cultural and social-analytic frameworks. Generally speaking, ethnocentrism represents the proclivity for individuals to view their own group as the center of the universe, to interpret other social groups from the perspective of their own group, and to reject persons who are culturally dissimilar -- while blindly accepting those who are culturally like themselves (Booth 1979; Worchel and Cooper 1979). As Levine and Campbell (1972) observed, this proclivity can lead individuals to regard the symbols and values of their ethnic or national group as objects of pride and attachment, whereas symbols of other groups may be regarded with contempt and scorn.

The implications of this proclivity have been examined in a number of different settings. For example, Lanciaux (1991) explored the impact of ethnocentrism in U.S.-Japanese trade policy negotiations. Walle (1990) as well as Calof and Beamish (1994) addressed issues related to American manager's opinions of foreign cultures and management. Lastly, Grant and Wren (1994) found that student ethnocentrism was related to negative attitudes toward the importance and propensity to enroll in international business, foreign language, and business ethics courses.

Shimp and Sharma (1987) extended the discussion of ethnocentrism by examining whether ethnocentric tendencies affected individual purchase behavior. Consumer ethnocentrism, an economic version of the original concept, is a term they coined to represent the beliefs held by American consumers about the appropriateness, indeed the morality, of purchasing foreign-produced products. For those who are strongly ethnocentric, buying imported goods is wrong because, from their perspective, it has a deleterious effect on the domestic economy, results in job loss, and is unpatriotic. By contrast, for those who are not strongly ethnocentric, foreign (i.e. out-group) products should be evaluated on their own merits without consideration to where they are produced. In functional terms, Shimp and Sharma contend that this consumer ethnocentrism provides the individual with a sense of identity, feelings of belongingness, and as they pointed out most importantly, an understanding of what purchase behavior is acceptable or unacceptable.

## SCALE DEVELOPMENT, TESTING, AND EXTENSIONS

Through a preliminary study, followed by an exhaustive panel screening process, and multiple purification studies, Shimp and Sharma (1987) were able to construct and refine a seventeen item scale, termed the CETSCALE, to measure a consumer's ethnocentric tendencies related to purchasing foreign- versus American-made products (see Table 1).

**Table 1**  
**CETSCALE Statements**

1. American people should always buy American-made products instead of imports.
2. Only those products that are unavailable in the U.S. should be imported.
3. Buy American-made products. Keep America working.
4. American products, first, last and foremost.
5. Purchasing foreign-made products is un-American.
6. It is not right to purchase foreign products, because it puts Americans out of jobs.
7. A real American should always buy American made products.
8. We should purchase products manufactured in America instead of letting other countries get rich off us.
  
9. It is always best to purchase American products.
10. There should be very little trading or purchasing of goods from other countries unless out of necessity.
11. Americans should not buy foreign products, because this hurts American businesses and causes unemployment.
12. Curbs should be put on all imports.
13. It may cost me in the long-run but I prefer to support American products.
14. Foreigners should not be allowed to put their products on our markets.
15. Foreign products should be taxed heavily to reduce their entry into the U.S.
16. We should buy from foreign countries only those products that we cannot obtain within our own country.
17. American consumers who purchase products made in other countries are responsible for putting their fellow Americans out of work.

To test the CETSCALE's reliability and construct validity, four separate area studies were conducted. Results indicated strong support for their instrument as a valid and reliable index of consumers' ethnocentric tendencies. With the development of a reliable scale established, Shimp and Sharma explored the question of whether ethnocentric tendencies operate uniformly across all consumers or whether certain population segments are disproportionately more or less likely to possess them. They were successful in establishing the link between observed differences in consumer ethnocentrism scores and the perceived threat that foreign-made products represented to an individual's quality of life and economic livelihood (Shimp and Sharma 1987).

Further research on consumer ethnocentrism was undertaken by Netemeyer, Durvasula, and Lichtenstein (1991). Their study sought to extend the discussion by addressing one of the perceived weaknesses of Shimp and Sharma's original work; namely that the scale was developed and validated in the United States alone. Employing a university-based student sample, a four

country study involving U.S., France, West Germany, and Japan was undertaken to assess the cross-national psychometric properties and nomological validity of the CETSCALE. The researchers found that the scale indeed was a reliable and useful instrument beyond the original U.S. sample.

More recently, the theoretical antecedents of consumer ethnocentrism and the effect they have on evaluations toward imported products was explored by Sharma, Shimp, and Shin (1995). In their study of Korean consumers, a number of hypotheses were tested attempting to link ethnocentric tendencies to various concepts such as cultural openness, patriotism, conservatism, and gender -- which were statistically significant. These results not only supported the robust nature of the CETSCALE instrument, but added further evidence to the earlier conclusions of Shimp and Sharma (1987) that the perceived threat non-domestically produced products represent, contributes to consumer ethnocentrism, at least under certain conditions.

## THE NEXT STEP

Of interest in this research is the connection between ethnocentric tendencies, as measured by the CETSCALE instrument, and support for international trade agreements which the United States participates in and supports. The principle hypothesis is that individuals with strong ethnocentric tendencies will have a more negative attitude toward such agreements. The secondary focus of this research is to determine the relationship that exists, if any, between a number of classification variables and select life experiences, and the development of ethnocentric tendencies.

## METHODOLOGY

A convenience sample of approximately 600 undergraduate, MBA and MPA (Masters in Public Administration) students taking classes in various business disciplines (i.e. accounting, finance, information systems, insurance, management, marketing, public administration, and statistics) at a medium sized, private Midwestern university were surveyed employing a paper and pencil questionnaire. The questionnaire employed the 17 statement CETSCALE measured with 7-point Likert scales (1 = strongly disagree, 7 = strongly agree). Additionally, respondents were asked to assess the impact of four international trade agreements on the U.S. (one of which was fictitious). Finally, respondents were asked a number of classification questions concerning political affiliation, avowed patriotism, and selected significant life experiences such as living abroad and whether they or an immediate family member had lost their job due to a company relocating to another country. After screening out non-U.S. citizens, 542 usable response forms were retained in the sample for analysis. The characteristics of the convenience sample reflect a reasonably diverse cross section of students by gender, age and political affiliation.

## RESULTS AND DISCUSSION

The figures reported in Table 2 represent the CETSCALE averages (i.e. ethnocentric tendencies) for individuals assessing the impact of four international trade agreements at various levels; ranging from extremely negative to extremely positive (see Table 2). Given the original 17 item scale and 7-point Likert design of the instrument, an individual's score can range from 17 (representing very low ethnocentric tendencies) to 119 (representing very high ethnocentric tendencies). If the hypothesis that individuals exhibiting high ethnocentric tendencies would feel threatened by these international

trade agreements is correct, we would expect to see declining average CETSCALE across the Likert scale and a negative correlation between the two measures.

Of the first three trade agreements listed, only NAFTA exhibits a uniform decrease of CETSCALE averages as the agreement is evaluated more positively. Both the GATT and WTO agreements generally conform to expectations. The correlation between CETSCALE averages and the Likert scale evaluation is as predicted although somewhat weak, especially with regard to the GATT treaty.

The fourth listed item in Table 2, the "World Bank's Open Markets Principles Agreement", is a fictitious agreement represented to subjects as real. The objective for this was to assess whether respondents would admit to not having any knowledge of the agreement (an option also provided for the other agreements) or whether their general ethnocentric tendencies would manifest themselves in a negative evaluation of an agreement even without a specific understanding of its contents. Table 3 reports the relative percentages of the sample indicating the "no knowledge" option as well as CETSCALE averages.

A significantly higher percentage of respondents reported no knowledge of the fictitious trade agreement than chose that option with either the NAFTA, GATT, or WTO agreements. However, over 43% of respondents did indicate that they had knowledge of the agreement and assessed its impact. Beyond this, there are no statistically significant differences between the ethnocentric tendencies, as represented by CETSCALE scores, between those who reported no knowledge of a particular agreement and those making an informed assessment. In retrospect, it is possible, perhaps likely, that those reporting that they did have knowledge of the fictitious trade agreement were basing their evaluation on the World Bank connection, which is an actual participant in some international trade agreements.

The secondary emphasis of this research is on whether certain classification variables and significant life experiences are related to ethnocentric tendencies. Table 4 reports the CETSCALE averages, in parentheses, for each of the classification questions asked of respondents (see Table 4). While there are slight differences in ethnocentric tendencies by gender, age (most notably under 24 compared to 24 and older), and political affiliation (most notably republican versus other or no political affiliation), none of these differences are statistically significant.

**Table 2**  
**CETSCALE Averages and Opinions on the Impact of International Trade Agreements**

To what extent do you believe that the U.S. will be affected by:	Extremely Negative						Extremely Positive
	Effect <u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	Effect <u>7</u>
our participation in NAFTA (North American Free Trade Agreement) (correlation = -.27)	79.0	64.3	54.3	48.1	47.2	41.9	30.1
the GATT treaty (General Agreements on Tariffs and Trade) (correlation = -.16)	34.0	52.9	53.4	48.8	48.7	38.6	31.2
our country's membership in the WTO (World Trade Organization) (correlation = -.27)	51.7	54.9	57.3	53.1	40.8	30.3	47.8
our country signing the World Bank's Open Markets Principles Agreement (fictitious trade agreement) (correlation = -.32)	82.0	64.2	50.0	53.2	40.5	30.5	47.8

**Table 3**  
**CETSCALE Averages by Trade Agreement and "No Knowledge" Option**

To what extent do you believe that the U.S. will be affected by:	% Respondents Indicating "No Knowledge" of Topic	CETSCALE Average	% Respondents Indicating Knowledge of Topic	CETSCALE Average
our participation in NAFTA	10.3%	47.8	87.5%	48.0
our participation on the GATT treaty	30.6%	48.6	66.8%	47.7
our country's membership in the WTO	31.5%	47.8	65.9%	48.2
our country signing the World Bank's Open Markets Principles Agreement? (fictitious trade agreement)	53.9%	47.8	43.4%	48.2

In terms of significant life experiences that may affect ethnocentric tendencies, subjects were asked whether they had or were currently serving in the U.S. armed forces, whether they had lived abroad, and whether they or an immediate family member had lost their job due to a company relocating out of the U.S. While differences were observed, only the factor of living abroad was statistically significant ( $p=0.056$ ). Most

likely, the experience of living abroad and being exposed to one or more different cultures for an extended period (as opposed to vacationing abroad which was surveyed and was not found to be significant) blurs the lines between the "in-group" and "out-group" designations that underlie the concept of ethnocentrism.

Finally, subjects were asked to estimate the

**Table 4**  
**Respondent Classifications and CETSCALE Averages (in parentheses)**

Gender:	273	50.4%	Male	(47.8)	Age:	260	48.0%	18 - 23 years	(50.1)
	255	47.0%	Female	(48.2)		135	24.9%	24 - 29 years	(44.6)
	14	2.6%	No Response	(42.6)		63	11.6%	30 - 35 years	(44.0)
Political Affiliation:	217	40.0%	Republican	(50.1)	43	7.9%	36 - 41 years	(49.7)	
	128	23.6%	None	(46.3)	18	3.3%	42 - 47 years	(51.5)	
	91	16.8%	Democrat	(45.1)	3	0.6%	48 - 53 years	(43.0)	
	88	16.2%	Independent	(48.1)	2	0.4%	54 - 59 years	(54.5)	
					0	0.0%	over 59 years	n/a	
					1	0.2%	Other	(42.0)	
	17	3.1%	No Response	(44.7)	18	3.3%	No Response	(44.2)	
Lived Abroad:	58	10.7%	Yes	(43.9)*	Average Length of Time: 31 months				
	469	86.5%	No	(48.5)	* (statistically significant difference, p=0.056)				
	15	2.8%	No Response	(43.7)					
Past or present member of U.S. Armed Forces:	40	7.4%	Yes	(45.2)					
	487	89.9%	No	(48.2)					
	15	2.8%	No Response	(43.7)					
Personal / Immediate Family Member Job Loss due to company relocating out of the U.S.:	25	4.6 %	Yes	(50.3)					
	501	92.4%	No	(47.9)					
	16	3.0%	No Response	(43.4)					
Estimated Percentage of U.S. workforce related to trade with other countries [21.2% No Response (49.1)]		<u>0-25%</u>	<u>26-50%</u>	<u>51-75%</u>	<u>76-100%</u>				
		13.8% (48.2)	27.1% (50.5)	23.2% (46.5)	14.6% (43.0)				
If "patriotism" represents love for or devotion one's country, to what extent do you consider yourself patriotic towards the United States? [4.8% No Response (45.8)]		Extremely Unpatriotic						Extremely Patriotic	
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	
	0.6% (40.7)	1.5% (38.3)	4.1% (38.9)	11.1% (42.1)	31.0% (50.2)	32.8% (49.2)	14.2% (48.5)		

percentage of the U.S. workforce that was tied to trade with other countries and to what degree they viewed themselves as patriotic. With regard to the former, a general trend was observed that those believing that more U.S. jobs were tied to international trade exhibited lower ethnocentric tendencies, however the differences between quartile groupings were not statistically significant. There was also general support for the contention that patriotism is positively related to ethnocentric tendencies

but again the differences were not statistically significant.

The lack of more statistically significant differences between groups on variables hypothesized as contributing to an individual's ethnocentric tendencies may be explained by the selection of the convenience sample. A medium sized private school located in the Midwest has a more regional appeal for students than schools which draw from the more diverse, national U.S.

population. The result is that the convenience sample's responses are more likely to generate homogeneous results.

Given the limitation of the convenience sample, this study has demonstrated that an individual's ethnocentric tendencies do manifest themselves in their

attitudes toward the U.S.'s participation in international trade agreements, both current and potential. Furthermore, exposure to different cultures in an extended setting such as evidenced by living abroad, is a significant factor in an individual's ethnocentric orientation.

---

## REFERENCES

- Booth, Ken (1979), *Strategy and Ethnocentrism*. London: Croom-Helm.
- Calof, Jonathan L. and Paul W. Beamish (1994), "The Right Attitude for International Success: Executives' Attitudes Toward Foreign Cultures," *Business Quarterly*, vol. 59, (Autumn), 105-110.
- Grant, E. Stephen and Brent M. Wren (1993), "Student Ethnocentrism: Its Relevance to the Globalization of Marketing Education," *Marketing Education Review*, vol. 3, no. 1 (Spring), 10-17.
- Lanciaux, Bernadette (1991), "Ethnocentrism in U.S. / Japanese Trade Policy Negotiations," *Journal of Economic Issues*, vol. 25, (June), 569-580.
- Levine, Robert A. and Donald T. Campbell (1972), *Ethnocentrism: Theories of Conflict, Ethnic Attitudes, and Group Behavior*. New York: John Wiley & Sons, Inc.
- Netemeyer, Richard G., Srinivas Durvasula, and Donald R. Lichtenstein (1991). "A Cross-National Assessment of the Reliability and Validity of the CETSCALE," *Journal of Marketing Research*, vol. 28, (August), 320-327.
- Sharma, Subhash, Terence A. Shimp, and Jeongshin Shin (1995), "Consumer Ethnocentrism: A Test of Antecedents and Moderators," *Journal of the Academy of Marketing Science*, vol. 23, no. 1, 26-37.
- Shimp, Terence A. and Subhash Sharma (1987), "Consumer Ethnocentrism: Construction and Validation of the CETSCALE," *Journal of Marketing Research*, vol. 24, (August), 280-289.
- Sumner, G. A. (1906), *Folkways*, New York: Ginn Custom Publishing.
- Walle, A. H. (1990), "Beyond the Ugly American," *Management Decision*, vol. 28, no. 7, 11-16.
- Worchel, Stephen and Joe Cooper (1979), *Understanding Social Psychology*. Homewood, IL: The Dorsey Press.

# KANSAS MANUFACTURING EXPORT ACTIVITY AND THE IMPACT OF NAFTA, GATT AND ISO 9000

*Jerrold L. Stark, Fort Hays State University  
Howard B. Peters, Fort Hays State University*

---

## ABSTRACT

*Kansas manufacturers tend to exhibit an attitude of "initial disinterest" to exporting activities. While they recognize the importance of world trade for future business operations, a majority do not pursue help in entering the global marketplace. Entry is most often influenced by an external change agent.*

---

## INTRODUCTION

Approximately 95 percent of the world's population and 75 percent of the world's buying power are located outside United States borders. The global marketplace offers Kansas companies significant export potential. Although the global marketplace is not without risk, Kansas companies who ignore it may be limiting their potential for future growth and profitability.

Canada and Mexico offer Kansas companies significant export potential because of the comparative advantage of location, access and transportation costs. However, even with favorable location, trade barriers (tariffs and trade regulation) often restrict trade and diminish natural trading patterns. As trade barriers fall, growth and profit opportunity is naturally enhanced.

The General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA), enhance both import and export opportunities for Kansas companies. GATT involves 122 countries with trade figures expected to pass the \$6 trillion mark by the turn of the century. NAFTA creates the world's richest free trade area (the United States, Mexico and Canada) with a combined gross national product of \$6.5 trillion and a market of 370 million consumers. These trade agreements, significantly impact trade opportunities for Kansas companies.

### Methodology

The purpose of this report is to investigate the export activities of Kansas manufacturers and to examine the attitudes of Kansas manufacturers with specific reference to the effect NAFTA, GATT and ISO 9000

have had on export activity and total revenue generated.

A questionnaire was distributed in May, 1996, to 395 Kansas manufacturers. The objective was to gather information about the nature of existing global markets, the activities of Kansas firms participating, or wanting to participate, in those markets and the export impact of NAFTA, GATT, and ISO 9000.

The response rate was approximately 20 percent with 77 firms completing the questionnaire (at least partially) and returning it to the College of Business. Those were used as the survey base. Of the 77 returned surveys, 62 firms (81%) indicated they were currently exporting and 15 firms (19%) indicated they were not. Of the 15 firms who were not currently exporting, 10 firms (67%) indicated they were interested in becoming involved in exporting.

## RESEARCH FINDINGS

**Current Kansas Export Markets.** Kansas manufacturers export to six continents and 70 nations. *Figure 1* illustrates the top ten markets served by the Kansas firms who responded to the survey. The top ten Kansas export markets include a concentration of nations with two primary attributes: highly developed industrial and economic systems and/or highly developed agricultural sectors. These Kansas export markets are, most likely, a result of well-developed markets within the individual countries, demand for like goods and services produced in Kansas, and formalized distribution systems which facilitate the movement of goods and services into and out of the countries. The feature noticed in *Figure 1* is the dominance of Canada and Mexico as Kansas export markets. The following factors most likely



account for this dominance:

- NAFTA
- the proximity of Canada and Mexico to the United States,

- the interconnected transportation network between each as a United States border country,
- bilateral US/Canadian trade agreements and minimal Canadian documentation requirements born from a historic, relatively common cultural and economic background (Griffith, 1979).

**Figure 1. Current Kansas Export Markets Ranked as a Percentage of Total Response**

Rank	Country	Percentage of Firms Exporting	General Area
1	Canada	55 Firms - 88.7%	The Americas
2	Mexico	41 Firms - 66.1%	The Americas
3	United Kingdom	31 Firms - 50.0%	Europe
4	Australia	27 Firms - 43.5%	Australia
5	Central America	23 Firms - 37.1%	South America
6	Thailand	22 Firms - 35.5%	Asia
7	Taiwan	21 Firms - 33.9%	Asia
8	Korea	21 Firms - 33.9%	Asia
9	Germany	21 Firms - 33.9%	Europe
10	Brazil	21 Firms - 33.9%	South America

<sup>a</sup> Survey Base of 62 Exporters

noticed in Figure 2 is the dominance of countries with highly developed agricultural sectors. Identified potential export markets most likely result from the nature and

scope of Kansas manufacturing activities or as an indirect result of NAFTA.

**Figure 2. Markets Identified As Offering New Export Potential**

Rank	Country	New Export Potential Stated by Percentage	Continent
1	Argentina	20 Firms - 27.7%	South America
2	Chile	17 Firms - 23.6%	South America
3	Mexico	16 Firms - 26.7%	The Americas
4	Central America	15 Firms - 25.0%	The Americas
5	Brazil	15 Firms - 25.0%	South America
6	Australia	15 Firms - 25.0%	Australia
7	New Zealand	15 Firms - 25.0%	Australia
8	Venezuela	14 Firms - 23.3%	South America
9	Peru	13 Firms - 21.7%	South America
10	Japan	13 Firms - 21.7%	Asia

<sup>b</sup> Survey Base 72 (62 Exporters and 10 Potential Exporters)

### Export activities by percent of sales

Figure 3 illustrates the ranking of Kansas export activities by company size (total revenue) and by percentage of export sales to total revenue. Sixty-seven percent of responding firms reported that gross annual

export sales accounted for less than 10 percent of total revenue while 18 percent of responding firms reported that export sales accounted for more than 25 percent of total revenue. No significant difference was found between firm size and percentage of export sales to total revenue.

**Figure 3. Kansas Export Activities Ranked by Percent of Export Sales**

Percent of Revenue	Percent of Export Sales By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes
	Less Than 4,999	5,000 - 24,999	25,000 and above	
1 - 5%	66.7%	37.9%	50.0%	47.5%
6 - 10%	16.7%	24.2%	15.0%	19.7%
11 - 15%	8.3%	6.9%	5.0%	6.6%
16 -20%	0.0%	3.4%	0.0%	1.6%
21 -25%	8.3%	6.9%	5.0%	6.6%
More	0.0%	20.7%	25.0%	18.0%

<sup>b</sup> Survey Base 62

**Motivation for involvement**

Figure 4 illustrates the motivation for involvement of Kansas manufacturers in the global marketplace. Kansas manufacturers exhibit an "initial disinterest" in becoming involved in the global marketplace. The primary motive for exporting is usually a trigger from an external change agent. The most significant reason given by Kansas manufacturers for entering the global market was unsolicited inquiry for product supply by foreign customers.

"Other" replies (12.9 percent) were individually reviewed and evaluated. Some "Other" replies indicated an active interest in pursuing global markets. However, when combined with other active interest indicator responses (3.2 percent "Trade Show", 4.8 percent "Use of Export Management Firms" and 4.8 percent "Saturated Market"), the resulting total was less than 24 percent of the survey base. This indicates Kansas manufacturers exhibit passive interest in export activity. No significant difference was found between firm size and motivating export factors.

**Figure 4. Motivation For Involvement In The Global Market Place**

Motivation	Export Motivation by Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes
	Less Than 4,999	5,000 - 24,999	25,000 and above	
Inquiries From Abroad	50.0%	66.7%	76.0%	66.1%
Foreign Trade Show	0.0%	3.7%	4.8%	3.2%
American Affiliates Abroad	14.3%	7.4%	4.8%	8.1%
Saturated Domestic Market	7.1%	3.7%	4.8%	4.8%
Export Management Firm	14.3%	0.0%	4.8%	4.8%
Other	14.3%	18.5%	4.8%	12.9%

<sup>b</sup> Survey Base 62

**Export problems**

Export problems may be a factor leading to the "initial disinterest" of Kansas manufacturers. Figure 5 illustrates the importance rank of the top ten export problems identified by survey respondents. The two highest ranked problems are activities usually included in the export distribution function: transportation cost and documentation. Earlier, Canada was identified as the dominant Kansas trading partner. It would normally be

expected that Canadian dominance minimize distribution problems because of the relative lack of additional documentation required and the commonality and interconnection of transportation networks. The survey indicates otherwise. This finding mirrors results of similar research (Griffith, 1979) and supports his statement "even small environmental differences may have a substantial impact on distribution activities" (p. 81).

**Figure 5. Export Problems Identified by Kansas Manufacturing Firms**

Description of Problem	Identified Export Problems By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes	Rank
	> 4,999	5,000 - 24,999	< 25,000		
Export Documentation	28.6%	18.6%	42.8%	29.0%	1
Transportation Costs	7.2%	14.8%	14.3%	12.9%	2
High Import Duties and Tariffs	14.3%	11.1%	9.5%	11.2%	3
Unable to Get Favorable Credit Terms	7.2%	14.8%	4.8%	9.7%	4
Delay in Transportation of Funds	0.0%	7.4%	9.5%	6.5%	5
Language Barriers	7.2%	7.4%	0.0%	4.8%	6
Difficult to Service Products	7.2%	3.7%	4.8%	4.8%	6
Strict Safety Requirements Abroad	0.0%	3.7%	4.8%	3.2%	7
Unable to Find Foreign Representatives	0.0%	7.4%	0.0%	3.2%	7
Other	28.3%	11.1%	9.5%	14.5%	

<sup>b</sup> Survey Base 62

**Figure 6. Extent to Which Product is Changed or Altered for International Markets**

Extent of Change	Extent of Change By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent
	> 4,999	5,000 - 24,999	< 25,000	
No Change	66.7%	65.5%	47.6%	60.0%
Moderate Change	26.7%	34.5%	42.9%	35.4%
Significant Change	6.7%	0.0%	9.5%	4.6%

<sup>b</sup> Survey Base 65

**Figure 7. Market in Which Product is Perceived as Having Higher Quality than Competition**

Market	Identified Market By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent
	> 4,999	5,000 - 24,999	< 25,000	
Local	41.1%	22.6%	19.0%	26.1%
Foreign	5.9%	0.0%	4.8%	2.8%
Both	47.1%	74.2%	57.2%	62.3%
Neither	5.9%	3.2%	19.0%	8.7%

<sup>b</sup> Survey Base 69

**Figure 8. Market in Which Product is Priced Higher than Competition**

Market	Identified Market By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent
	> 4,999	5,000 - 24,999	< 25,000	
Local	13.3%	0.0%	0.0%	3.1%
Foreign	13.3%	14.3%	23.8%	17.2%
Both	26.7%	46.4%	14.3%	31.3%
Neither	46.7%	39.3%	61.9%	48.4%

<sup>b</sup> Survey Base 69

**Product/quality/price factors**

Figures 6-8 present data concerning product, quality and price factors. The majority of Kansas exporters do not change their products for the export market. While 62.3% of the firms indicated the quality of their product was perceived as better than the competition in both local and foreign markets, only 31 percent indicated their products were priced higher than the competition in both markets. In each case, the

relationship between firm size and the variable analyzed was not significant.

**Distribution/transportation factors**

Distribution and transportation data are presented in Figures 9-12. The size of current Canada and Mexico export activity may be the source of some distortion and, therefore, caution should be exercised when drawing conclusions from the data.

**Figure 9. Principal Market Area(s) Identified By Kansas Manufacturing Firms**

Description of Market Area(s)	Identified Principal Market Area(s) By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes	Rank
	> 4,999	5,000 - 24,999	< 25,000		
Two or More Market Areas	47.3%	32.3%	28.6%	35.2%	1
International	15.8%	19.4%	42.8%	25.4%	2
All	0.0%	41.9%	9.5%	21.1%	3
National	31.6%	3.2%	14.3%	14.1%	4
Regional	5.3%	3.2%	4.8%	4.2%	5

<sup>b</sup> Survey Base 71

**Figure 10. Principal Marketing Channel(s) Identified By Kansas Manufacturing Firms**

Description of Market Channel(s) All Size Firms	Rank By Number of Total Responses	
	Rank	Count
Direct to Final Consumer	1	(36)
Wholesaler	2	(27)
Direct to Retailer	3	(26)
Marketing Representative	3	(26)

<sup>b</sup> Survey Base 115 Responses

**Figure 11. Principal Means of Transportation Identified By Kansas Manufacturing Firms**

Description of Transportation Type	Rank By Number of Total Responses	
	Rank	Count
Motor	1	(65)
Air	2	(38)
Water	3	(37)
Rail	4	(19)
Pipeline	5	(00)

<sup>b</sup> Survey Base 159 Responses

**Figure 12. Principal Ports for Overseas Transportation Identified By Kansas Manufacturing Firms**

Description of Port	Rank By Number of Total Responses	
	Rank	Number of Responses
Gulf	1	(31)
Pacific	2	(29)
North Atlantic	3	(24)
South Atlantic	4	(14)
Great Lakes	5	(11)

<sup>a</sup> Survey Base 109 Responses

**Export management companies, licensing agreements and joint ventures**

A series of three questions were designed to provide information concerning the use of export management companies, licensing agreements and joint ventures by Kansas manufacturing firms. *Figures 13*

provides relevant information. In general, export management firms, licensing agreements, and domestic joint ventures are not a significant force in current Kansas export activities and are not particularly influential as an agent of change in Kansas export activities. In each case, the relationship between firm size and the variable analyzed was not significant.

**Figure 13. Use of Export Management Firms, Licensing Agreements, and Domestic Joint Venture Agreements**

Type	Percentage of Yes Answers By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent
	> 4,999	5,000 - 24,999	< 25,000	
Export Management Firms	5.9%	20.0%	33.3%	20.6%
Licensing Agreements	0.0%	16.7%	9.5%	10.1%
Domestic Joint Ventures	11.1%	0.0%	23.8%	10.1%

<sup>b</sup> Survey Base 69

**Awareness of government agencies which provide export assistance**

Two questions were designed to provide information regarding Kansas manufacturing firms' awareness and use of government agencies that provide assistance to firms entering or engaged in export markets.

While 71.6 percent of the respondents were aware of assistance available through the Trade Development Division, Kansas Department of Commerce, only 53.6% were aware of the services provided through the United States Small Business Administration. There was no significant difference between firm size and awareness levels.

**Figure 14. Awareness of the Services of the Trade Development Division, Kansas Department of Commerce and the United States Small Business Administration.**

Are You Aware of Services Provided By	Percentage of Yes Answers By Size of Firm's Total Revenue (Stated in Millions \$)			Total % All-Sizes
	> Than 4,999	5,000 - 24,999	< 25,000	
KS Dept. of Commerce	52.9%	79.3%	76.2%	71.6%
U.S Sm. Bus. Admin.	33.3%	60.0%	61.9%	53.6%

<sup>b</sup> Survey Base 67

## THE IMPACT OF NAFTA

According to Brownstein (1994), "For the first time since 1976, every region of the planet is expanding simultaneously. . . and American companies will be among the biggest gainers" (p. 1). Of particular importance to American companies is the recent enactment of the North American Free Trade Agreement (NAFTA).

Walden (1994) states, To put the importance of NAFTA in context, let me give you an idea of our trade volume with Canada and Mexico. Total U.S. exports of goods and services to Canada, our largest trading partner, have grown under the U.S.-Canada Free Trade Agreement from \$8.1 billion in 1988 to \$108 billion in 1992. Merchandise exports alone have grown by \$19 billion during this same period. Mexico is our third

largest export market behind Canada and Japan. Mexico is also our fastest growing market. U.S. exports to Mexico have been increasing at an average annual rate of 23% since 1987, reaching \$40.6 billion in 1992. NAFTA creates even more opportunities for U.S. producers (p. 1).

## Kansas manufacturers' perceptions

Figure 15 measures the impact Kansas manufacturers believe NAFTA has had since its inception. In general, Kansas manufacturing firms do not believe NAFTA has impacted their business. This may be a result of one or more of the following factors: the pre-NAFTA dominance of Mexico and Canada as export markets, lack of familiarity with the major provisions of NAFTA, and/or "initial disinterest" (as defined earlier). There was no significant difference found between firm size and the type of impact NAFTA has had.

Figure 15. The Impact of NAFTA on Kansas Manufacturing Business Operations

Type of Impact	Identified Impact of NAFTA By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes	Rank
	> 4,999	5,000 - 24,999	< 25,000		
No Impact	83.3%	79.3%	95.2%	85.3%	1
Increased Foreign Sales to Mexico	0.0%	13.8%	4.8%	7.4%	2
Increased Competition from Mexico	5.6%	6.9%	0.0%	4.4%	3
Increased Foreign Sales to Canada	11.1%	0.0%	0.0%	2.9%	4
Increased Competition from Canada	0.0%	0.0%	0.0%	0.0%	5

<sup>b</sup> Survey Base 68

## THE IMPACT OF GATT

The latest version of the General Agreement on Tariffs and Trade (GATT), the 122-nation agreement that governs world trade, is similar to NAFTA in its orientation. According to Weissman (1994), "Both cut tariffs. More importantly, both extend trade rules to new areas of the economy - to laws governing foreign investment in manufacturing, trade and investment in services and protections for intellectual property (patents, copyrights, and trademarks), and to so-called technical barriers to trade, which include consumer, environmental and workplace safety regulations" (p. 1).

Supporters of GATT claim the agreement will generate hundreds of billions of dollars for the U.S. and global economies over the next decade. Opponents dispute the validity of the estimates of economic gain, but focus their criticisms on the new GATT's political and legal effects. Currently, the products that seem to be most dramatically affected by GATT are computers, heavy capital equipment, light industrial equipment, paper, clothing, pharmaceutical, semiconductors, telecommunications equipment and scientific apparatus.

### Kansas manufacturers' perceptions

Kansas manufacturers believe GATT is even less important than NAFTA. *Figure 16* measures the impact Kansas manufacturers believe "new" GATT provisions have had on revenues generated by their

businesses. Of significance is the relatively high rate (67.7 percent) of firms indicating that GATT will have no impact on revenues generated by their business. No significant difference was found between firm size and type of impact.

**Figure 16. The Impact of GATT on Kansas Manufacturing Business Operations**

Type of Impact	Identified Impact of GATT By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes	Rank
	> 4,999	5,000 - 24,999	< 25,000		
No Impact	93.3%	89.3%	94.7%	91.9%	1
Increased Foreign Sales	0.0%	7.1%	5.3%	4.9%	2
Increased Foreign Competition	6.7%	3.6%	0.0%	3.2%	3

<sup>b</sup> Survey Base 62

### THE IMPACT OF ISO 9000

Another measure of attitude with respect to global trade concerns ISO 9000. ISO 9000 is a quality system standards and quality system certification program designed to enhance the product quality factor in international trade. Dean states (1995), "ISO 9000 certification is rapidly becoming a competitive factor. The impetus for ISO 9000 certification in the USA came from the desire to sell products in Europe, which has been the forerunner in requiring ISO 9000 certification for suppliers" (p.1).

### Kansas manufacturers' perceptions

When asked if they intended to obtain ISO 9000 certification, 65.5 percent of the Kansas manufacturers responded "no", 28.1 percent responded "yes", and 6.3 percent were already certified. They were then asked to rank the impact of ISO 9000 on their revenues. *Figure 17* measures the impact Kansas manufacturers believe ISO 9000 has had on revenues generated by their businesses. No significant difference was found between firm size and type of impact.

**Figure 17. The Impact of ISO 9000 on Kansas Manufacturing Business Operations**

Type of Impact	Identified Impact of ISO 9000 By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes	Rank
	> 4,999	5,000 - 24,999	< 25,000		
No Impact	94.1%	93.3%	73.7%	87.9%	1
Increased Foreign Sales	0.0%	6.7%	21.1%	9.1%	2
Increased Foreign Competition	5.9%	0.0%	5.2%	3.0%	3

<sup>b</sup> Survey Base 65

### Future importance of international trade

In contrast to the perceived non-impact of NAFTA, GATT and ISO 9000, Kansas manufacturers do acknowledge the importance of future participation in world trade. Of interest is the inverse relationship between NAFTA, GATT and ISO 9000 attitudes and

trade importance attitudes. While 85.3 percent indicated NAFTA has had no impact, 91.9 percent indicated GATT has had no impact and 87.9 percent indicated ISO 9000 has had no impact, 83.9 percent rated the importance of foreign trade from moderately important to very important.

**Figure 18. The Future Importance of International Trade for Kansas Manufacturing Operations**

Identified Importance Level	Identified Importance of International Trade By Size of Firm's Total Revenue (Stated in Millions \$)			Total Percent All-Sizes	Rank
	> 4,999	5,000 - 24,999	<25,000		
Moderately Important	38.9%	58.7%	52.4%	51.5%	1
Very Important	16.7%	37.9%	38.1%	32.4%	2
Not Important	44.4%	3.4%	9.5%	16.2%	3

<sup>b</sup> Survey Base 68

### CONCLUSIONS

The purpose of this report was to investigate participation of Kansas manufacturing firms in the global marketplace and to examine the attitudes of Kansas manufacturing firms with specific reference to the anticipated effect of NAFTA and GATT on individual company operations. NAFTA, GATT and ISO 9000 have now been in effect for more than two years. Private enterprises, educators and governments around the world are trying to assess the changes. The only thing everyone seems to be sure of is that there has been change. This doesn't seem to be the case with Kansas manufacturing companies.

The study suggests that Kansas manufacturers tend to exhibit an attitude of "initial disinterest" to exporting activities. Although they tend to understand the importance of world trade, Kansas manufacturers normally do not pursue global market opportunities

unless influenced by a change agent. Unsolicited inquiry from foreign customers is the primary change agent impacting Kansas export activities. Export management firms are not a significant force in Kansas export activities.

Once in the global market, Kansas manufacturers export their products to almost every international market in the world. In the aggregate, export sales of Kansas manufacturers constitute a relatively low percentage of total sales. The two highest ranked exporting problems identified are transportation cost and documentation. Kansas manufacturers believe NAFTA will positively impact exports to Mexico more than it will positively impact exports to Canada. However, the majority of Kansas manufacturers do not believe NAFTA, GATT and ISO 9000 have had a significant impact on generated revenues.

### REFERENCES

- Bhatia, S.L. (1995). Location of production & U.S. - Mexico free trade. Unpublished paper.
- Brownstein, Vivian. (1994). The U.S. is set to be the winner from worldwide expansion [CD-ROM].
- Fortune, 11(28), 22-23. Abstract from: ProQuest File: Access No. BPO 95-01-02
- Dean, Ed. (1995) ISO 9000. 11(20) ISO 9000 Home Page. Available at FPT: <http://akao.larc.nasa.gov/dfc/iso9000.html>
- Griffith, Tommy F. (1979). The export dimension of physical distribution for medium sized non-multinational firms. (Doctoral dissertation, Indiana University, Graduate School of Business, United States, 1979).
- Walden, Judene. (1994). Post NAFTA. Available FPT: [http://www.flash.net/mexis/experts/nafta\\_walden\\_01.htm](http://www.flash.net/mexis/experts/nafta_walden_01.htm)
- Weissman, Robert. (1994). GATT: The final act. Available FPT: <http://essential.org/monitor/hyper/mm1094.html#gattfin>



# CHALLENGING CULTURAL CONSUMPTION STEREOTYPES: AN INVESTIGATION OF CONSPICUOUS CONSUMPTION VALUES WITHIN A CHINESE IMMIGRANT POPULATION

*Ed Chung, St. Norbert College  
Eileen Fischer, York University*

---

## ABSTRACT

*The extent to which Chinese immigrants from Hong Kong to Canada exhibit the allegedly stereotypical Chinese cultural value of emphasizing conspicuous consumption is explored in this paper. As expected, it is found that the subjects surveyed place average levels of value on conspicuous consumption; moreover, there is no tendency for those immigrants who have lived longer in Canada or who identify less with Chinese ethnicity to place less emphasis on this value. The findings are interpreted as evidence that ethnicity should not be assumed to indicate cultural consumption values. Instead, it is suggested that emergent local consumption cultures be studied further.*

---

## INTRODUCTION

There are moral, theoretical and practical reasons to be concerned with cultural or subcultural stereotypes, particularly as they are applied to immigrant populations. At a moral level, stereotypes are troublesome because the judgements entailed often lead to the, caricatures, denigration or, in extreme cases, demonization of "out-groups" (cf Peñalozza 1994). At a theoretical level, the stereotype-driven content of analytic categories based on race, nation of origin, or cultural heritage may simply be inapplicable to a given member of any subgroup (cf. McCracken 1986; Schouten and McAlexander 1995). Moreover, there is likely to be considerable within group variation in a consumer subculture (Sirsi, Ward and Reingen 1996). At a practical level, consumption stereotypes concerning immigrant populations may lead to misguided and even offensive marketing campaigns.

Despite these problems, however, the tendency to make generalizations based on stereotypes, such as about the values thought to characterize a culture or nation, persists (see Hofstede 1997). Moreover, stereotypes concerning cultural values continue to be applied to consumption (e.g. Yau 1988). This paper explores the aptness of a particular consumption stereotype for immigrants from Hong Kong now residing in Toronto, in order to contribute to the mounting challenges both to the general notion that demographic

factors are good predictors of individual values and behaviors, and to the particular notion that a person's culture of origin tells us anything reliable about that person's likely consumption values and habits.

The paper begins by establishing that there is a stereotype that Chinese people from Hong Kong are likely to value consumption for its own sake, i.e. conspicuous consumption. It then addresses some of the recent conceptual and empirical work on immigration and consumer acculturation to develop specific propositions concerning the relationship between "Chineseness" and conspicuous consumption. Next, the empirical study developed to test the propositions is described, and results of the tests of the propositions are outlined. The paper concludes with a discussion of the implications of these results for future research.

## The Conspicuous Consumer Stereotype of Hong Kong Chinese

He took a deep breath of air. Once again he caught a strangeness on the wind, neither pleasant nor unpleasant, neither odor nor perfume--just strange, and curiously exciting. "Superintendent, what's that smell?"....Armstrong hesitated. Then he smiled. "That's Hong Kong's very own, Mr. Bartlett. It's money."

(Clavell 1981, p.48)

In the popular novel *Noble House*, author James Clavell depicts the smell of money greeting a first-time visitor to Hong Kong as he got off the plane. With the world's highest per capita ownership of Rolls-Royce and Mercedes Benz automobiles, and as the world's largest market for Cognac (*The Toronto Star*, June 30, 1996, D7), Hong Kong has often been painted as a fashion conscious, "slick metatopical space of global financing" (Lilley 1993, p.293). Indeed, as one commentator recently remarked Hong Kong "is a place where excess is celebrated, where having it all and a good bit more isn't greed, just getting your fair share," and a place where conspicuous consumption is alive and well (*The Toronto Star*, June 30, 1996, D4). In a related vein, Tse, Belk, and Zhou (1989) found that newspaper advertisements in Hong Kong consistently carried heavy emphasis of hedonistic themes such as "pretty, luxury, prestige, foreign, [and] fun" (p.462). Further, many have argued that one facet of Chinese cultural values is the idea of "face," or as Yau (1988) further elaborates, the notion of "mien-tsu." *Mien-tsu* is represented by symbols of prestige, or reputations gained through success and ostentation (Hu 1944). Yau (1988, p.50) notes that "Chinese are always under strong constraints to meet the expectation of others so as to maintain their mien-tsu." Assuming this importance placed upon impressing others, we would expect to see a positive valuation placed on conspicuous consumption as a logical outcome.

Given the above generalizations, it seems reasonable to posit, then that residents of Hong Kong may be stereotypically assumed to place considerable emphasis on conspicuous consumption. Moreover, as people born in Hong Kong have migrated to other countries in anticipation of the immanent changes to the governance of that city, these stereotypes are likely to have followed them. That is, dominant groups in the countries to which Hong Kong Chinese have migrated may well stereotype them as placing as having consumption values and tendencies associated with the term "conspicuous consumption."

Based on this stereotype, a simple proposition can be stated:

P1: People who come from Hong Kong will exhibit relatively high average tendencies toward conspicuous consumption.

This proposition, is, of course simplistic. Two refinements to it are offered below.

*Acculturation Literature Relevant to Stereotype*

*Applicability.* Differences between consumers who reside within one nation but come from different cultures or countries of origin have long been noted and studied (e.g. Sturdivant 1969). Most contemporary studies of immigrants and of consumer acculturation offer some refinement to the simple idea that all immigrants from one culture will share similar values and will differ consistently from the dominant population. One such refinement in the study of immigrant subcultures is to adopt an assimilation perspective, which holds that immigrants come to take on or assimilate the values and behaviors of the dominant group in their adopted nation over time (see, for example, Deshpande, Hoyer and Donthu, 1986; Donthu and Cherian 1992; Faber, O'Guinn and McCarty 1987; O'Guinn and Meyer 1984).

This acculturation or assimilation perspective leads to the idea that the longer someone from another culture has lived in their adoptive home, the more they will come to hold the values of the dominant population. This leads to the proposition that if immigrants from Hong Kong take up residence in a cultural setting where there is less emphasis placed on conspicuous consumption, they should come to place less emphasis on the value of conspicuous consumption over time. This leads to the proposition that:

P2: The longer a person from Hong Kong has resided in a setting where the dominant group is not particularly oriented toward conspicuous consumption, the less should be that persons emphasis on conspicuous consumption.

*Intracultural Variation Literature Relevant to Stereotype Applicability.* While the proposition above expresses a simple "straight line" assimilation hypothesis, it is now well accepted that individuals within a culture may exhibit different degrees of identification with that culture (Ferdman 1990; Kwong 1984; Pepitone 1986; Waters 1991). Recognizing these intra-cultural differences, a number of researchers seek to study how these differences come to be and how they impact consumer behavior. Donthu and Cherian (1992) and Deshpande et al (1986) are good examples of this stream of research. This ethnic affiliation perspective informs the marketer that individuals within an ethnic group may differ in the degree they identify with the ethnic group (Donthu and Cherian 1992). In other words, some people are more ethnic than others. This may mean both that some individuals tend to hold the stereotypical values associated with a culture more strongly if they are more "identified" with that culture, and that, if the emigrate to

a different cultural setting, they are less likely to assimilate. In either case, the proposition would be that:

P3: People who come from Hong Kong but identify less strongly with their Chinese ethnicity will place less emphasis on conspicuous consumption than those who identify strongly with Chinese ethnicity.

## RESEARCH DESIGN

These propositions were tested through an empirical study conducted in the Greater Metropolitan Toronto region in Ontario, Canada. This setting was selected for two reasons. First, as Johnson (1992) has noted, since the early 1980s, large numbers of Hong Kong Chinese have migrated to Canada. Indeed, in 1990 alone, almost 29,000 individuals moved to Canada from Hong Kong, representing 14% of total in-migration to Canada. Considering the various social and economic issues that arise with this large influx of Hong Kong Chinese (eg. *The Toronto Star*, July 2, 1995), Hong Kong as a point of origin is of some importance in the multicultural society that is much of Canada. Second, the "dominant" Canadian culture has not, to our knowledge, placed particularly heavy emphasis on conspicuous consumption. Canada is, of course, a developed nation, and Toronto an relatively cosmopolitan city. Relative to Hong Kong, however, it is less a place associated with the "smell of money."

### Sampling and Data Collection

A telephone survey was conducted in the Metro Toronto area in the fall of 1996. Subjects were randomly selected from a data base of Chinese telephone subscribers. Prescreening questions ensured that only adults (age 18 or over) who had migrated from Hong Kong were surveyed. A total of 214 surveys were completed, at a response rate of 58.6% of eligible contacts. The interviews were conducted in Chinese by trained telephone interviewers. At a sample size of 214, the power of the test exceeds the 0.80 recommended for social science research (Welkowitz et al 1971).

### Some Descriptors

The sample consists of 133 females and 81 males, all reporting Hong Kong as a point of origin prior to migration to Canada. The majority of respondents (60%) are between age 31 to 50, with a further 15% above the age of 50. Most respondents reported finishing high school (38%) or post-secondary education (54%).

When asked to assess their English proficiency, the mean rating was 3.24 on a scale of 5 (very fluent). On average, the respondents have been in Canada for just over 10 years. Average family size is 4.7 persons. About 43% of the respondents work outside the home.

## Measures

An English version of the questionnaire was first constructed, containing the following sets of questions: ethnicity, strength of ethnic affiliation, emphasis on conspicuous consumption, length of residence in Canada, and other general demographics.

*Ethnicity.* The screening procedures used ensured that all the individuals surveyed belonged to the Chinese ethnic group.

*Strength of Ethnic Affiliation (EI).* Following Deshpande et al (1986), we asked the following question: "How strongly do you identify with the Chinese ethnic group?" The five-point scale ranges from Very Strongly to Very Weakly.

*Conspicuous Consumption.* To measure this construct, two existing scales were used, one a measure of a person's social motivation for consumption (Moschis 1981) and the other a measure of fashion consciousness (Lumpkin and Darden 1982). The former is, as defined by Moschis (1981, p.124), a "cognitive orientation concerning the importance of conspicuous consumption, and self-expression via conspicuous consumption." Such a scale appears most appropriate for the purpose of this research. The consumption motivation scale consists of four items (see Moschis 1981), and previous research indicated adequate reliability with alphas ranging from 0.74 to 0.85. For our study, we calculate an average correlation of 0.38, and an alpha of 0.71. The fashion consciousness scale is chosen primarily because of the common portrait (see earlier) of Hong Kong as a fashion conscious society, and also because this appears to also tap into one's consumption activities pertaining to the notion of *mien-tsu*. The fashion consciousness scale consists of two items (see Lumpkin and Darden 1982), and previous research indicated adequate reliability with alpha of 0.71, while validity was demonstrated by factor analysis showing that the items load together. For our study, we calculate an average correlation of 0.45, and an alpha of 0.62.

*Length of Residence in Canada (LONG).* We asked in what year the person had moved to Canada, and

calculated the length of time that had since elapsed.

*Other Demographic Variables.* We were also concerned to take into account the fact that demographic variables may impact a consumer's proneness to conspicuous consumption. Specifically, we asked about: sex, education level (EDUC), family size (SIZE), English proficiency (ENG), age, and whether the person works outside the home (OUT).

*Chinese Version of Questionnaire.* Following Green and White (1976) and Desphande et al (1986), the back-translation method was employed in the construction of a Chinese version of the instrument. First, the English version was translated into Chinese. Second, two bilingual individuals who are unrelated to the study and who had not seen the English version independently back-translated the Chinese version into English. Discrepancies were analysed and rewording of the questions done if warranted. Third, the Chinese version of the questionnaire was pretested with Chinese individuals to ensure clarity and accuracy and to obtain feedback for any changes necessary.

## ANALYSIS AND RESULTS

Table 1 summarizes the mean and standard deviations of the key variables studied.

To test the proposition that the subjects in this study, all of whom are Chinese, place a fairly high level of emphasis on conspicuous consumption, it would be preferable to have a contemporary sample of non-Chinese Canadians with which to make comparisons. Since this is not available, the best alternative is to consider the mean levels report for each scale. The midpoint on the CONSP1 measure is 12; the mean for this sample is only marginally above this midpoint at 12.3. Further, the variation is considerable. Similarly, the sample mean on the CONSP2 measure is only marginally above the midpoint, and there is much variation. This would seem to indicate a lack of support for Proposition One.

*Multiple Regression.* To test propositions two and three, that length of residence in Canada and intensity of affiliation with Chinese ethnicity significantly relate to conspicuous consumption, we tested two regression models using the two conspicuous consumption measures as dependent variables. Stepwise regression on SPSS was used in both instances. The independent variables in both cases consist of length of residence in Canada, ethnic affiliation and the other demographics mentioned

above.

Following Fox (1991) and Neter et al (1985), the resulting regression models are tested for their aptness. Both models conform with guidelines pertaining to linearity, constancy of error variance, normality of error terms, (lack of) multicollinearity, and non-zero IV variance. No outliers were found in either model. Further, the correlations between the independent variables was sufficiently low to rule out concerns for multicollinearity.

The results provide little support for either Proposition 2 or Proposition 3. Neither length of residency in Canada nor ethnic affiliation is a significant factor in determining one's social motivation to consume (CONSP1). Further, both length of stay in Canada and ethnic affiliation are significant predictors, but in the opposite direction from that proposed, of fashion consciousness (CONSP2). That is, the longer the person has lived in Canada, and the less their identification with Chinese ethnicity, the greater their fashion consciousness. Table 2 summarizes the results of the regression analysis for each model.

## DISCUSSION

### What Happens to Cultural Values?

How well do cultural values migrate? If indeed, as the literature seems to suggest, conspicuous consumption is a part of Hong Kong's cultural makeup, what happens to it when a person migrates? Our data seem to indicate that the stereotype does not hold here, and that it may be of questionable value in general.

The findings for the first hypothesis support highly the current tendency to question whether demographic cultural categories, such as ethnicity, should be taken as indicative of a person's likely values or behaviors (cf Schouten and McAlexander 1995). Contrary to the proposition that persons from Hong Kong have placed an above average emphasis on conspicuous consumption, we find them to be very much "average" in this regard. There is no doubt that the sample's "middle of the road" mean score on this variable means that members of this group are quite diverse in their tendencies to hold this stereotypical Chinese value. In other words, their Chineseness tells us little about their feelings with regard to this particular consumption value.

The failure to find support for the second and third propositions reinforces the notion that demographic

**TABLE 1**

Variables	Label	Mean	SD
Social Motivation to Consume	(CONSP1)	12.3	3.0
Fashion Consciousness	(CONSP2)	6.3	1.7
Ethnic Affiliation	(EI)	3.5	0.8
Time in Canada	(LONG) 10.7	8.1	
English Proficiency	(ENG)	3.5	1.0

**TABLE 2****Model 1: Social Motivation to Consume (CONSP1)**

Variable	Order Entered	Unstd Beta	Standard Error	Sig.	Stdzd. Beta
ENG	1	-.530	.196	.007	-.182
AGE	2	-1.062	.469	.025	-.152
Intercept		14.823	.757		
Adjusted R <sup>2</sup> = .046		F(2,210) = 6.148, p = .003		N = 213	

**Model 2: Fashion Consciousness (CONSP2)**

Variable	Order Entered	Unstd Beta	Standard Error	Sig.	Stdzd. Beta
AGE	1	-1.125	.265	.000	-.288
LONG	2	.061	.015	.000	.289
EI	3	-.383	.148	.010	-.171
EDUC	4	-.571	.221	.011	-.168
Intercept		8.524	.539		
Adjusted R <sup>2</sup> = .131		F(4,208) = 8.989, p = .000		N = 213	

cultural consumption stereotypes must be regarded with concern. There is no evidence that even recent immigrants or those who identify most intensely with Chinese ethnicity conform, in this particular value, to the cultural stereotype.

A reasonable argument, given our unexpected findings on the fashion consciousness measure of tendency toward conspicuous consumption might be that, in fact, Canadian culture places significantly more emphasis on conspicuous consumption (or at least on fashion) than Hong Kong Chinese culture. This might be inferred, given that the longer people reside in Canada and the less they identify with their Chinese ethnicity, the more they care about fashion. While this is a possibility that cannot be rejected given the data and analyses at hand, we would resist this reading and offer an alternative. It may, indeed, be that those who have been in Canada longer and are less intensely concerned with their Chinese ethnicity are being influenced by their adopted milieu, but as the emergent perspective on

culture (eg. Keating 1991; Stein 1975) suggests, these people may be actively engaging in the construction of cultural meanings (eg. Wallendorf and Arnould 1991) as opposed to passively imbibing those around them. We speculate that a culture with certain distinctive consumption values may be emerging, influenced by the material and social milieu in which these immigrants now live, and by their interactions with one another. Unfortunately our research does not address this question. We suggest, though, that this would be a fruitful area for future research.

Inasmuch as "face" has been suggested as an important Chinese value, thus possibly contributing to a tendency towards conspicuous consumption, it is also informative to use another ostensibly important Chinese value to help explain why the data do not support the propositions. We refer to the idea of "abatement," that "Chinese are used to believing in modesty and self-effacement" (Yau 1988, p.48). The abatement value promotes modesty as a virtue, which then discourages the

person from disclosing his or her tendencies towards conspicuous consumption. It may be interesting in future research to assess the impact that the conflicting values of face and abasement have on the individual.

### Limitations and Future Directions

In this work, we did not directly compare two demographic cultures. The closest we come is to compare those who are more or less intensely identified with their ethnic origins. It would be preferable, and could be a project for the future, to allow for direct comparisons to be made.

Further, in this work we did not study actual behavior. What people say and do can be very different. Future research can incorporate actual conspicuous consumption behavior to provide a more comprehensive testing of the propositions studied here.

Our research is specific to Hong Kong immigrants in Toronto. We cannot legitimately generalize our findings to other parts of Canada or elsewhere, nor can we make claims about cultural values in Hong Kong. We have based the assumed importance of conspicuous consumption in Hong Kong Chinese culture on extant literature. It may be useful to broaden the study to compare Hong Kong residents with those Hong Kong immigrants living in Canada, both in Toronto and elsewhere. This would help to address not only the questions with which this paper has been concerned, but also allow for the examination of emergent consumption cultures.

Location of residence can play an important role in a migrant's acculturation. Our study involves only subjects living Toronto, the largest city in Canada with one of the largest concentration of ethnic Chinese in North America. If the study had been done elsewhere, the findings could have been quite different. For example, would acculturation be an entirely different experience in an environment without Chinese shopping malls and Chinese media? Future research incorporating this variable would be informative.

Ethnic affiliation, as operationalized in this study, is a psychological variable. As a result, our research has not addressed the social level of human action. But as Alexander and Smith (1993) have observed, there are three levels of analysis in studying social action: cultural values, social structure, and agency. Furthermore, these are distinct but related levels of analysis (Emirbayer and Goodwin 1994). Future research should attempt a more comprehensive fusion of the three levels of analysis of ethnic consumer behaviors. For example, how does the ethnic makeup of a migrant's social circle relate to how strongly he or she identifies with the ethnic group? Does one consume more "ethnic" products when one has more friends from the same ethnic group?

Finally, much can be gained from using qualitative methods (such as depth interviews, ethnography, etc.) to generate insights into the lives of ethnic migrants (cf Peñalosa 1994). What does it mean to feel "Chinese," or consume in an ethnicity affirming way? As Murphy (1987, p.212) remarks, social research "must be attuned to the voice with which facts speak."

---

### REFERENCES

- Alexander, Jeffrey C., and Philip Smith (1993), "The Discourse of American Civil Society: A New Proposal for Cultural Studies," *Theory and Society*, Vol. 22, 151-207.
- Clavell, James (1981), *Noble House*. London: Hodder and Stoughton.
- Deshpande, Rohit, Wayne D. Hoyer, and Naveen Donthu (1986), "The Intensity of Ethnic Affiliation: A Study of the Sociology of Hispanic Consumption," *Journal of Consumer Research*, Vol. 13 (Sep), 214-20.
- Donthu, Naveen, and Joseph Cherian (1992), "Hispanic Coupon Usage: The Impact of Strong and Weak Ethnic Identification," *Psychology and Marketing*, Vol. 9 (6), 501-10.
- Faber, Ronald J., Thomas C. O'Guinn, and John A. McCarty (1987), "Ethnicity, Acculturation, and the Importance of Product Attributes," *Psychology and Marketing*, Vol. 4, 121-34.
- Ferdman, Bernardo M. (1990), "Literacy and Cultural Identity," *Harvard Educational Review*, Vol. 60 (2), 181-204.

- Fox, John (1991), *Regression Diagnostics*. Newbury Park, CA: Sage.
- Green, Robert T., and Philip D. White (1976), "Methodological Considerations in Cross-National Research," *Journal of International Business Studies*, Vol. 7 (Fall/Winter), 81-8.
- Hofstede, Geert (1997) *Cultures and Organizations*. New York: McGraw Hill.
- Hu, H. C. (1944), "The Chinese Concept of 'Face,'" *American Anthropologist*, Vol. 46. Jan-Mar, 45-64.
- Johnson, Graham E. (1992), "Ethnic and Racial Communities in Canada and Problems of Adaptation: Chinese Canadians in the Contemporary Period," *Ethnic Groups*, Vol. 9, 151-74.
- Keating, Paul (1991), "European Cultural Identity: A Sociological Perspective on the Prospects and Problems," *World Futures*, Vol. 30, 169-77.
- Kwong, Julia (1984), "Ethnic Organizations and Community Transformation: the Chinese in Winnipeg," *Ethnic and Racial Studies*, Vol. 7 (3), 374-86.
- Lilley, Rozanna (1993), "The Double Bind: Performing Arts in Hong Kong," *The Australian Journal of Anthropology*, Vol. 2 (3), 293-306.
- Lumpkin, James R., and William R. Darden (1982), "Relating Television Preference Viewing to Shopping Orientations, Life Styles, and Demographics: The Examination of Perceptual and Preference Dimensions of Television Programming," *Journal of Advertising*, Vol. 11 (4), 56-67.
- McCracken, Grant (1986), "Culture and Consumption: A Theoretical Account of the Structure and Movement of the Cultural Meaning of Consumer Goods," *Journal of Consumer Research*, 13 (June), 71-84.
- Moschis, George P. (1981), "Patterns of Consumer Learning," *Journal of the Academy of Marketing Science*, Vol. 9 (2), 110-26.
- Murphy, John W. (1987), "Niklas Luhman: His Contribution to the Sociology of Religion," *International Sociology*, Vol. 2 (2), 205-13.
- Neter, John, William Wasserman, and Michael H. Kutner (1985), *Applied Linear Statistical Models*, 2nd ed. Homewood, IL: Irwin.
- Peñaloza, Lisa (1994), "Atravesandos Fronteras/ Border Crossings: A Critical Ethnographic Exploration of the Consumer Acculturation of Mexican Immigrants," *Journal of Consumer Research*, 21 (June), 32-54.
- Pepitone, Albert (1986), "Culture and the Cognitive Paradigm in Social Psychology," *Australian Journal of Psychology*, Vol. 38 (3), 245-56.
- Schouten, John and James McAlexander (1995), "Subcultures of Consumption: An Ethnography of New Bikers," *Journal of Consumer Research*, 22 (June), 43-61.
- Sirsi, Ajay, James Ward and Peter Reingen (1996), "Microcultural Analysis of Variation in Sharing of Causal Reasoning about Behavior," *Journal of Consumer Research*, 22 (March), 345-372.
- Stein, Howard F. (1975), "Ethnicity, Identity, and Ideology," *School Review*, Vol. 83 (2), 273-300.
- Sturdivant, Frederick (1969), "Business and the Mexican-American Community," *California Management Review*, 26 (Fall), 120-134.
- The Toronto Star*, "Canadian Banks Out to Woo Wealthy Hong Kong Immigrants," July 2, 1995, D2.
- \_\_\_\_\_, "Mad About Malls," July 4, 1995, B1.
- \_\_\_\_\_, "Hong Kong's Fortunes," June 30, 1996, D1-D6.
- \_\_\_\_\_, "Lasting Links Between Two Lands," June 30, 1996, D7.
- Tse, David K., Russell W. Belk, and Nan Zhou (1989), "Becoming a Consumer Society: A Longitudinal and Cross-Cultural Analysis of Print Ads from Hong Kong, the People's Republic of China, and Taiwan," *Journal of Consumer Research*, Vol. 15 (Mar), 457-72.

Wallendorf, Melanie, and Eric J. Arnould (1991), "We Gather Together': Consumption Rituals of Thanksgiving Day," *Journal of Consumer Research*, Vol. 18 (Jun), 13-31.

Waters, Mary C. (1991), "The Role of Lineage in Identity Formation Among Black Americans," *Qualitative Sociology*, Vol. 14 (1), 57-76.

Welkowitz, Joan, Robert B. Ewen, and Jacob Cohen (1971), *Introductory Statistics for the Behavioral Scientist*. New York: Academic Press.

Yau, Oliver H. M. (1988), "Chinese Cultural Values: Their Dimensions and Marketing Implications," *European Journal of Marketing*, Vol. 22 (5), 44-57.



# DATABASE MARKETING: A REVIEW AND SYNTHESIS

*Paul Herbig, Texas A&M Intl University  
Ram Kesavan, University of Detroit Mercy  
Uday Tate, SE Louisiana University*

---

## ABSTRACT

*Database Marketing (DBM) often utilizes a customized database of customers with an identifiable interest in a firm's products/services. While maintaining a database is not a new idea, extensive use of databasing as the core of the company's marketing activities is a relatively new phenomenon. DBM helps fine tuning the firm's offering. For example, Waldenbooks successfully developed and marketed a Preferred Reader Program using a database of 6 million people. This paper provides a brief review of this important topic from an applied perspective.*

---

## INTRODUCTION

Database marketing techniques are becoming increasingly important in allowing companies to reach and communicate with customers. While many of the core concepts of database marketing (DBM) date back several decades, their dissemination has proceeded slowly. Knowledge of DBM should enable marketers to find better ways to create relationships with their customers in the future (Petrison 1997). Companies exist to sell products, either directly or indirectly. Companies market indirectly by data mining, furnishing other companies with the information they need to reach potential customers. Database marketing is one of the ways that companies are expanding their sales by directly marketing to a specific target segment of the market.

It is only natural that some people have a higher tendency of doing, using, or purchasing something than others do (Belch 1990). Marketing using databases equipped with customer profiles can quickly determine if a particular customer fits into a specific target market. This allows marketers to cut down on the amount of wasted time and effort. Without such a tool, building a target market can be expensive and time consuming. Many marketers still use the so called shot gun technique to get the message to the customer. They send out enormous amounts of material in the hope they will get a response large enough to justify the effort. Database marketing allows marketers to go directly to people who will be interested or at least fit the profile of people who are likely to be interested in the material, this limits the amount of waste encountered with the shot gun technique. While everything is on the side of companies that use

customers' information, when asked how they would rate their company's current marketing database, more than half of the respondents rated the following as either fair or poor: "right type of information", "easy retrieval of information", "speed of search", and "access to raw data for updates" (Dale 1997).

## SOCIETAL ISSUES

List services are not currently regulated by the government, so they can get away with almost anything as long as it does not directly injure anyone. People may find it unsettling that they are on such lists, but in today's society it is inescapable. Customers give up some of their privacy to database marketers. Every time you purchase something you leave electronic fingerprints that can be traced (Lieberman 1996). Most people would be angry to find out that marketers acquire in-depth information without consumer consent. With very high budgets estimated at nearly 20% of all ad dollars spent in the U.S. going toward direct marketing programs, the lure to be one step ahead of the competition is tremendous. Some of the most sought after information is ages of people living in a household. With this information direct marketers can send out age-specific promotions (Wartzman 1994). However, there is a question as to whether kids should receive unsolicited mail.

Databases have become so common that many individuals believe that their privacy is in jeopardy of being invaded. The concern over privacy issues versus the convenience to the consumer arises, leading the way for debate. The average person is unaware of exactly how much information is gathered by database marketers.

Companies use information about customers every day, but just because they have access to the information and use it does not make it right. Most people do not realize that all those individual pieces of information are being accumulated to build a profile of them. This profile can be bought and sold hundreds of times and can put the customer in many databases. Good and bad aspects of database marketing exist; it is hard to find one without the other. One must give up some privacy at supermarket checkouts unless one wants to pay the higher price (Lieberman 1996).

### **FIRM BENEFITS**

Databases that are more individualized and inclusive of household needs will enhance the success of database marketing. But this seems to be where the least work is occurring. Only half record occupation, roughly one quarter record income and dependents, and 17 percent record the reason for purchasing or the need that was met. The majority of companies are using their databases for operations, management information, and communication vs. marketing. Forty-three percent use them for lead generation, and slightly over one third for market research and cross-selling.

Customer loyalty (measured in quantifiable terms such as recency, frequency and amount of purchases), product penetration and referrals of new customers all drive revenue growth and profitability (Poulos 1997). Customer satisfaction is, of course, a prerequisite to loyalty. But in its softer, qualitative forms (as measured by traditional customer surveys, for instance), it's no guarantee of such loyalty especially if price competition heats up. Except for clear market leaders, the only reliable correlations found between loyalty and customer satisfaction occur when the latter is defined according to the quantitative behaviors above. (Poulos 1997)

One of the most important decisions a marketer must make is choosing a specific target market, realizing it can be difficult to segment that market (Belch 1990). Many markets today are turning to databases to solve their problems concerning the formation of a customer base. Database marketing has also created a way for companies to expand repeat business, and created a network that builds upon past purchases. Another use of the marketing database is to stimulate repeat business from existing customers or clients. Thought of as a simple way to hold on to a strong customer base, it is crucial in today's congested marketing environment. Knowing who your customers are and how to deliver

what they want when they want it is a key to success that can not be beaten. With such an opportunity as tracking customer behavior available, it would be the fool that did not utilize the existing technology.

While building an initial customer base is made easier through the use of a database, its strength lies in its ease in keeping track of customer purchases. A marketing database is also being used for cross-selling purposes. Cross-selling is an important aspect of DBM. It has the potential to generate a huge volume of sales and profits for the marketer. Building upon a past purchase can be lucrative for the company with specific customer profiles. Using the purchase information supplied by the use of a database, the marketer can send information on products that fit a profile of the purchases of a specific customer, such as products and services that complement a product or service that has already been purchased. This type of marketing works very well to sell people products that are complementary to each other. Customers who demonstrate a specific interest also constitute strong potential for similar products (Belch 1990). Information on related products or services can be sent to customers that have purchased items in the past (McKenna 1995).

Maintaining customer relationships has been identified as a primary and enduring problem for small firms. Database marketing, often touted as a means to improve customer relationships, is scarce in small firms. Small retail firms may benefit from the adoption of a database-oriented relationship marketing program, but the firm must consider its customer orientation, consumption norms, financial capabilities, and managerial resources before such adoption (Davis 1997).

### **METHODS**

Tracking customer activities and preferences by entering the details of each sale is easy when drawing upon product bar codes or other standard data in transactions. But the basic personal information that retailers require as a foundation for an individual database file is something that many consumers aren't eager to give out to a store clerk. Clerks can obtain name, address, and phone number from customers by asking if they'd like to be on the store's mailing list. Retailers can also obtain such details by creating a "club" for customers with members getting bonus coupons by mail. The shopper needs only to fill out a card that asks for basic personal facts. The club allows them to understand who their customer is, and that's the

beginning after all, of all good purchasing. The store should not be selling stuff for manufacturers but acting as a purchasing agent for the customers.

There are many tips to building a good DBM program. A good marketing database is not put together easily, but it can give a marketer in advantage over his competitors. While there is no set way of designing a marketing database, there are some points that may guide a marketer in building a successful one. Most marketing databases are designed for a particular purpose (Blattberg 1991). Companies should be thinking long-term-selling the value of the product or service, thus developing lasting, profitable relationships with customers. To do this, you need to know who your customers are and what type of relationship you have with them. Variables such as age, income, household type, vehicles owned and lifestyle. Segmentation is more successful when you take into account purchase behavior, spending cycles, price points, and channel usage (Post 1997).

There are many good tips to building a good DBM marketing program, and the companies that utilize the existing technology are finding themselves a step ahead of the competition. Electronic scanners make checking out of stores faster, but they also allow stores to keep track of purchases. Some stores offer special promotions where customers provide specific information, like how many pets they own or what kind of car they drive. In exchange for all this information the store gives its customers special promotions or coupons tailored special for that customer (Lieberman 1996).

### **SOURCES**

The buying and selling of information is a multi-billion dollar industry that is getting bigger and bigger (Lieberman 1996). A key component of DBM is the source from which the database is built. Many firms are already engaged in affinity relationships with banks, manufacturers, retailers and service organizations. Databases can be expanded by leveraging the relationship that already exists between the firm and the affinity organization. For example, a mortgage company serves as an excellent lead generation source for homeowner insurance products (Gulden 1997).

There are many organizations that collect and sort through information, but there is one that shadows all the rest. The United States government is the worlds largest gatherer of information. Information of everything from how many people live in a particular household to how many cars are on the road, is kept by the United

States government. Much of the data collected by the government is public record. The 1990 census taken by the United States Census Bureau can provide a large amount of usable data for marketers. Information such as household size can give a marketer a good estimate of how many consumables a family goes through in a specific period of time. Demographic information which is the distribution of a population on selected characteristics such as age, sex, income, education, occupation, and geographic dispersion is made readily available through the Census Bureau (Belch 1990). The government is more willing to share the information it gathers than in the past.

Another source of information used by marketers are privately owned list services. Privately owned list services have ready made customer list that have already been profiled by the list service. Lists that are available can range from very broad categories like people who own dogs to very specific, like people who own Doberman dogs (Lieberman 1996). List services create lists of all types and many people would be surprised to find out how many different lists a single person can be on. Everything from age lists to sexual preference lists are available to marketers willing to pay the price asked. Other segments such as mail order buyers of various direct mail, television, or magazine products; subscribers to magazines, newsletters; contributions to fund raisers and campaigns as well as credit card holders are also available. These lists can be related to your specific product or purpose and as long as there is no conflict with the list owner, it can be easily bought. For instance, Home-Based Businesses Database totals more than 2.3 million with 12 different selects available including name, phone number, sales volume, Standard Industry Classification (SIC), gender, ethnicity and number of employees.

Firms also specialize in creating very special lists such as lists of people who are most likely to buy and people are more likely to buy when there is a change in their lives. When people have a baby there are all kinds of things that they have to buy, many of which they have never purchased before. If a company can get them hooked on a particular brand when they are in the trial stage they have more change of becoming loyal customers. When buying a new home or getting married there are many things that change and the way customers behave also changes.

### **APPLICATIONS**

There are a wide variety of applications

involving DBM, including launching a new product, assisting in cross-selling, supporting your dealers competitive intelligence, key accounts management, and conducting customer satisfaction research (Poulos 1997). Databases can range from supplying simple information like customer names and addresses to more complex sophisticated profiles of demographics, psychographics, post purchases, neighborhood data, and even credit histories (Belch 1990).

Developing a database of information about individual customers is an increasingly popular and effective way for independent retailers to exploit their greatest asset: existing clientele. The biggest trick is to get customers to give up the information in the first place. One example, a book store, is continually coming up with new ways to maximize marketing using the customer data stored on his personal computer. Recently, for example, when a new book by an author was released, the store mailed postcards to the 600 specific customers who had bought similar books recently. The database program filtered each of these prime prospects from its list of 8,000 of the store's recent customers.

Petroglyph Ceramic Lounge gathers information from its customers about what supplies they use and how long they're in the store, how many people they brought with them, and how they heard about the store. Then the data is analyzed to position advertising and mailings as well as help site selection for future locations based on the match up of the customers and the demographics of an area. The database even projects parking needs of a potential store. Among the hindrances are their concerns about privacy, the volume of their mail, and even the time it takes to convey details about themselves.

The effective use of databases for market segmentation is illustrated by the following case. First Commerce Corp. knew that if it could identify unique customer segments, it would be able to improve the effectiveness of its marketing, delivery, communications, product development, customer service, and other customer-centered functions. First Commerce's first attempt to segment its retail client base was to divide its clients into mutually exclusive groups of individuals based on demographics. Database analysis revealed that profitability swings were primarily a function of balances, product mix, and transaction behavior. This analysis enabled the bank to define 3 mutually exclusive segments that allowed it to more closely align service levels with clients' needs and willingness to pay. They are: 1. the smart money segment, 2. the small business segment, and 3. the convenience segment. First Commerce has

learned that the key to a successful segmentation program is the understanding of profitability at all levels: account, customer, and household (Connelly 1997).

American Telephone and Telegraph (AT&T) is a prime example of how a business can utilize information it already possesses to market new services. When AT&T introduced its Universal Card it utilized customer information it accumulated through its other business. AT&T sent out pre-approved credit cards to customers they already knew were good prospects. Even before customers inquire about the card, AT&T knew if that customer was going to fit into its target market. Within three months of its introduction, AT&T had over one million Universal card holders and they had made over one hundred million dollars in purchases. While all cross-selling attempts may not be as successful as AT&T, they are very promising. Cross-selling should not be overlooked (Blattberg 1991).

## CONCLUSIONS

Using DBM to keep track of customers past purchases and preferences is a low cost of increasing sales and repeat business. People want to be treated individually. They want options and choices. Without a good database, however a one-to-one system is virtually impossible. However, building relationship marketing, retention and loyalty-focused business designs is not just a technology issue. Technology does not, by itself, address the cultural and behavioral issues critical to making relationship management a successful part of any organization. It is linking people, systems and processes together, and technology merely provides the enabling tools (Poulos 1997). Database marketing is not a fad that will fade out in a few years, since it is being increasingly focused to target consumers with promotions they want (Lieberman 1996). Database marketing will have a tremendous impact on how business is done in the future. Although the core data mining technology is here today, developers need to take what already exists and turn it into something that allows businesses to prosper. With the technology becoming more advanced every day, this form of marketing will become a major tool for marketers in the future. The limits of this technology are endless and people who fear their privacy should be careful of what information they give out. Database marketing is not just about technology. It is about issues such as theory, developing an effective customer contact plan, perfecting the manual aspects before automation, collecting relevant data for decision making, being rigid on validity, using simple but proven software, and centralizing data entry for effectiveness (Poulas). Despite

all of the advantages of DBM, only a small portion of small businesses are making use of this methodology. More efforts are needed by Chambers of Commerce,

business associations, and governments to disseminate the necessary information to millions of small businesses across the nation.

---

## REFERENCES

- Belch, George; Belch, M. (1990), *Advertising and Promotion*, Chicago: Irwin
- Blattberg, Robert; Deighton, J. (1991), "Interactive Marketing: Exploiting the Age of Addressability," *Sloan Management Review*, (Fall), 5-14.
- Connelly, Debora Read, Barbara (1997), "First Commerce segments customers by behavior, enhancing profitability," *Journal of Retail Banking Services*, v19n1, (Spring), 23-27.
- Dale, Wallace F. (1997), "Customer database use in the United States and Canada," *LIMRA's MarketFacts*, v16n4, (Jul/Aug), 38-39
- Davis, Judy Foster (1997), "Maintaining customer relationships through effective database marketing: A perspective for small retailers," *Journal of Mktg Theory & Practice*, v5n2, (Spring) 31-42
- Gulden, Larry (1997), "Mining the gold from databases," *Best's Review*, v98n4, (Aug) 78-80
- Liberman, Jannis (1996), Interview: "Direct Telemarketing," *National Cable Television*. CNBC
- "Marketing by database" (1996), *Nation's Business*, v84n7, (July), 23
- McKenna, Regis (1995), "Real-Time Marketing," *Harvard Business Revi*, (July-August), 87-95.
- Petrison, Lisa A, Blattberg, Robert C, and Wang, Paul, (1997) "Database marketing - Past, present, and future," *Journal of Direct Marketing*, v11n4, (Autumn), 109-125
- Post, Carol, (1997), "Finding your best customers," *Target Marketing*, v20n8, (Aug), 38-42
- Poulos, Nick (1997), "12 Database marketing principles," *Target Marketing*, v20n9, (Sept), 46-50
- Wartzman, Rick (1994), "Information, Please: A Research Company Got Consumer Data From Voting Polls," *The Wall Street Journal*, (Dec 23), sec. A:1.

# COMPREHENSIVE BRAND PRESENTATION: ENSURING CONSISTENT BRAND IMAGE

*Andy Haynes, Marshall Marketing Inc.  
Conway Lackman, Duquesne University  
Audrey Guskey, Duquesne University*

---

## ABSTRACT

*This paper introduces the concept of Comprehensive Brand Presentation (CBP), a formalized approach to aligning manufacturing and communications functions in the business firm. The lynch pins of the CBP are Total Quality Management (TQM) principles and integration of marketing communications. The CBP enhances success through synergistic execution of the manufacturing and marketing processes via increased focus on measuring customer response to both manufactured product and promotional effort supporting that product. CBP defines the TQM principle of "out of control" as the variance between target product image and actual product image seen by the target customer. CBP's operational objective is to minimize that variance, and, thereby, maximizing the expected probability of product acceptance and subsequent target market brand loyalty.*

---

## INTRODUCTION

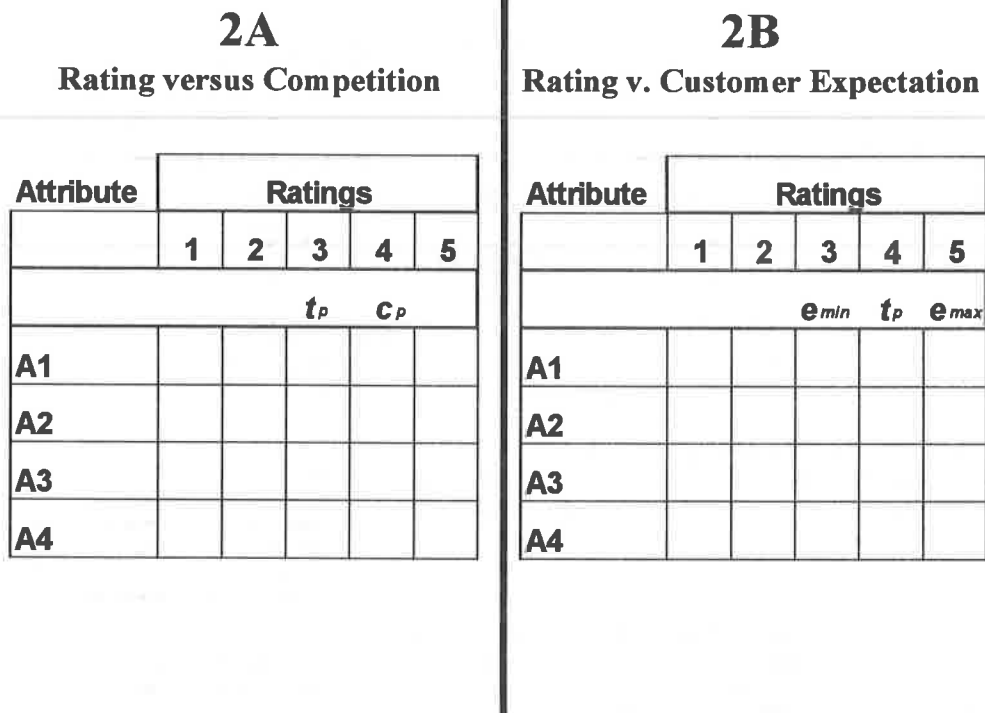
Many companies have implemented manufacturing systems designed to make products which enhance their brand image by providing satisfying customer experiences. (For this paper, the term "product" will be used to represent both products and services.) These companies have developed Total Quality Management (TQM) programs to ensure that they deliver the best quality products to their customers. The companies recognize the need to manufacture a product which will deliver on its intended performance." They have established a marketing planning system to develop messages which communicate a strong brand image. These companies create Integrated Marketing Communications (IMC) campaigns to align a variety of media, both broadcast and targeted, in order to deliver their marketing message. These companies understand that the environment of a message (which includes the form which the message takes as well as the surrounding messages and programming) has an effect on customers' impressions as does the message itself. Many companies practice specific TQM methods, such as developing research studies which monitor their performance relative to established promotional goals. The most notable research is the awareness, trial and usage (ATU) study. Its goal is to measure the effectiveness of advertising in improving customer awareness of the product, of promotional offers in order to increase trial, and of

manufacturing in improving customer recognition of product quality, with the desired result of maintaining continuous usage. The collection of information in an ATU study implies that there is a relationship among these three measures in the company's operating culture. This paper will introduce a formalized approach to this philosophy of aligned manufacturing and communications, called Comprehensive Brand Presentation (CBP), which encompasses both these processes of product brand image management. Companies which practice CBP have a very clear vision of the brand/product image attributes which they wish their manufacturing and advertising to achieve. This vision is established through research to identify what the customer expects from the company's product. With CBP, every exposure the customer has with that product, either through actual experience or messages received, reinforces the brand or product image which the company intends to achieve. The benefits of the product are reinforced to promote awareness, trial and repeated use.

## Efficiency/Effectiveness Measures

TQM systems (Deming 1980) are driven by 1) benchmarking, 2) development of products to customer specification throughout design and engineering, and 3) manufacturing to specification by keeping the process "in control" for attaining specific, measurable outcomes

Figure 1 - Product Attribute Measures

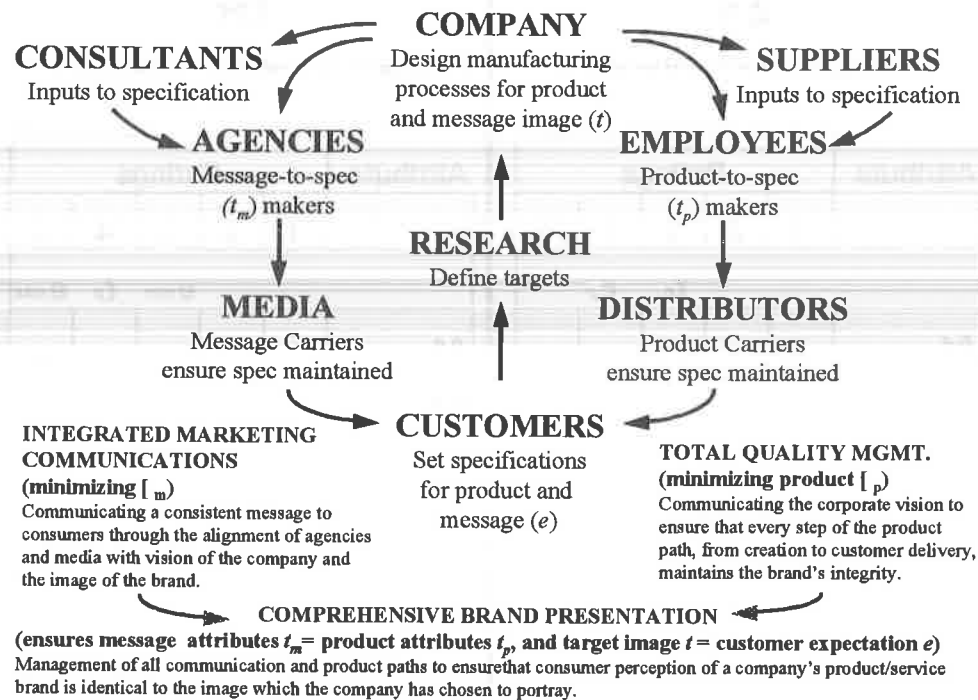


related to product specifications. As the foundation of a model, customer specification expectations are set at a level identified as  $e$ . A company will target its own brand image,  $t$ , to meet or exceed the customers' expectations and exceed the performance of a competitive brand,  $c$ . Simply stated, the company's goal is that  $t = e$  and  $t > c$ . By measuring actual performance, as shown in Figure 1, the company can determine how customers rate the product relative to competition as well as to their own expectations. One could even assess a multiplier,  $d$ , to the effect which the distributor will have on the final product which reaches the customer, with the ideal of  $d = 1$  where product quality is maintained. Theoretically, one might believe that the product image could exceed customer expectations, either through unanticipated benefits or enhanced through delivery attributes such as speed or convenience. But over time, consumer expectations will rise to meet the level of quality delivered and once again the natural state will be  $t = e$  and  $d = 1$ .

**The Marketing Process and Integrated Marketing Communications**

The cycle of Integrated Marketing Communications is an expansion of the basic communication model. The company is sending a message to the consumer and looking for feedback in the form of a purchase. In reality though, the company is sending a series of messages, surrounded by many other messages from other senders. The company's goal is that its intended message is received clearly and motivates the receiver to respond in a favorable manner (i.e., buy the product). Marketing also must follow the same robust TQM design as manufacturing to ensure that it also produces favorable responses to the image it portrays of the product. Target product attributes in the message ( $t_p$ ) are measured against competition with statistical measures to determine if the message conveys the product image as advantaged, at parity or disadvantaged versus that of the competitive product ( $c_p$ ). The snake plot of  $p_m$  (Figure 1A) is the target attribute profile benchmarked to the competitive profile. In addition to competitive measures, the product attributes must be measured against customer expectations ( $e$ ) to determine if the company's product compares favorably or unfavorably against customers' expectations of a non-specific version

Figure 2 - Comprehensive Brand Presentation



of the product. In Figure 2B, the attribute ratings for the test message,  $t_p$ , are compared to the minimum and maximum expectations of customers (or lower and upper control limits in TQM terms), referred to as  $e_{min}$  and  $e_{max}$ . The goal is for  $t_p$  to be positioned in between  $e_{min}$  and  $e_{max}$ , so that the product fits within customer specifications (with a rating greater than  $e_{max}$  perceived as overpromising). The variation between  $t_p$  and  $e_{max}$  is identified by  $[p]$ .

In the case of marketing, the communication cycle is rarely as simple as the basic communication model. Experts, advertising agencies, are brought into the process to produce the message (in a similar role as the company employees who produce the actual product) in a manner that will capture the receiver's attention and motivate him/her to respond with a purchase. Furthermore, it is rare that either the company or the agency directly deliver the message to the receiver, the customer. Some form of media, typically either print or electronic, takes responsibility for the delivery ( $d_p$ ). Because of that, the marketing process model, as shown in Figure 2, looks very much like the Deming

manufacturing model. In fact, the process of producing the appropriate messages for promoting a product and distributing it to customers ( $t_m * d_m$ ) can be viewed in a manner which parallels the manufacturing process of the product itself ( $t_p * d_p$ ). There are two shortcomings to producing integrated marketing communications without the corresponding quality production. First, customer expectations are set without the guarantee that the actual product can live up to them (i.e., the control boundaries,  $e_{min}$  and  $e_{max}$  in Figure 1B, are not identified nor is the relative position of the product,  $t_p$ ), risking trial followed by cognitive dissidence with no repeat purchasing. Second, the management of external messages (i.e., ensuring an optimized marketing process so that the message attributes are in control) can be greatly enhanced by linkage to internal communications (i.e., ensuring an optimized manufacturing process so that the product attributes are in control). On the communications side, promotional advertising goals are defined as delivering target levels of awareness, interest, desire and purchase. ADVO Inc., the largest direct mail company in the United States, has formalized a process to understand its clients' marketing objectives (e.g., in IMC terms, set an



80% awareness specification). The goal of that process is to identify the best target customers for a client's advertising message and the best message (against competitive benchmarks and customer specifications) to maximize response from those customers. Even though clients typically have advertising agencies representing them, ADVO typically meets directly with the companies, either with or without their agencies, to confirm goals for their advertising (e.g., awareness levels). Sales associates receive substantial training, as well as marketing support to assist in developing strategic plans for clients. In many instances, ADVO works with its clients to enhance the clients' marketing strategy as well as to support the execution of that strategy.

### Comprehensive Brand Presentation

Comprehensive Brand Presentation is defined as the management of both the manufacturing and marketing process chains to ensure that the customer perception of a company's product (actual brand image,  $e$ ) is identical to the brand image which the company has chosen to portray (target brand image,  $t$ ). In essence, the company establishes an image for its product which is as close as possible to what the customer sees and hears about it from the messages ( $t_m$ ), as well in what he/she actually experiences with the product ( $t_p$ ) with minimized variation ( $[L_m]$  and  $[L_p]$ , respectively). Figure 3 links the two process chains along their common elements: the customer, who sets the specifications of the product and the message; research, which identifies the targets of the attributes and measures performance; and company, which designs the processes and strategies which will produce the target brand image, whether they are for the product or the message.

### Efficiency/Effectiveness Expectations

In CBP, there is an identifiable, measurable, quantifiable condition of being "out of control", as signaled by  $t \neq e$ . But there are specific components which must be analyzed to identify the manner in which to take corrective action. For example, the standard goal of a typical promotion is to maximize the probability of purchase, defined as  $P_{TM}$ . The Marketing AIDA Model (Kotler 1996; Johnson and Chvala 1997) relates  $P_{TM}$  functionally to the target market percent awareness (defined as  $P_{AWARE}$ , percent interested ( $P_I$ ) and percent with desire ( $P_D$ )). A reasonable representation of this functional relationship is:

$$(1) \quad P_{TM} =$$

$$[P_{AWARE} (P_I \cdot P_D)]$$

That is, the probability of purchase ( $P_{TM}$ ) over the sum of interested (I) customers over  $n$  target markets is driven centrally by awareness ( $P_{AWARE}$ ).  $P_{AWARE}$  is a function of  $[L_m]$  (the variation in message attributes from customer expectations). As the profile of  $[L_m]$  increases beyond the in-control boundary,  $P_{AWARE}$  declines and iteratively  $P_{TM}$  declines, dragging  $P_{TM}$  below target. CBP, through IMC measurements, has the ability to detect out of control  $[L_m]$  and constrain  $P_{TM}$  to a number within control limits, consistent with attribute targets  $t_m$ .

A similar model can be applied to the product attributes as a diagnostic tool. Consider the goal of a successful product design as product repurchase, defined as  $P_{TP}$ . The components which would influence repurchase would be the percentage of the population who had tried the product ( $P_{TRIAL}$ ), the percentage who were satisfied with its performance ( $P_S$ ), and the percentage who found reason for further use ( $P_R$ ). Applying the same formula, we would find that:

$$(2) \quad P_{TP} = [P_{TRIAL} (P_S \cdot P_R)]$$

In this case, repurchase is primarily driven by trial, and  $P_{TRIAL}$  is a function of  $[L_p]$  (the variation in product attributes from customer expectations).

Consider the two options when a message is not aligned with its product. If the message does not succeed in portraying the products' benefits to customers (i.e.,  $t_m < e$ ), they will not buy it. If the message overpromises ( $t_m > e$ ) and/or the product does not deliver ( $t_p < e$ ), then the customer will not buy it a second time.

### Advertising Agencies New Role

Advertising agencies, as the creators of a client company's internal and external communications, must become more involved in the setting of its client's brand image. They need to understand the company's target message profile ( $t_m$ ), the product's role in fulfilling the company's goal ( $t_p$ ), and how the customer perceives the product and its benefits ( $e$ ). This ensures that there is the right level of expectations being set. In order to achieve this level of understanding, an agency must be willing to be more in touch with consumer behavior through research on purchasing activity and knowing the minimum and maximum expectations ( $e_{min}$  and  $e_{max}$ ). It is also the agencies' responsibility to ensure that the

media companies understand the company's mission and their role in delivering the message ( $d_m$ ) within the proper environment to reach the right customers. With that focus, media companies as the messenger must understand the context of the message, how it relates to their programming/delivery method and what might be done to maximize both the reception of the customer ( $P_{\text{AWARE}}$ ) and the motivation to buy ( $P_{\text{AWARE}}$ ). customer profiles which describe a customer need.

### CONCLUSION

An application of Comprehensive Brand Presentation principles can enhance a company's success

through the synergistic execution of its manufacturing and marketing process chains. With increased focus on the measurement of customer response to its communication and manufacturing efforts, variation from customer specifications will be minimized and customer satisfaction will increase. This effort can only succeed by involving all of the parties in the quality process; establishing long-term partnerships with consultants and suppliers to ensure quality inputs; keeping in mind the end customer, not only understanding their product use, but the purchase decision-making process as well; and creating an environment that supports the fulfillment of customer expectations, both in the message and the product.

---

### REFERENCES

Deming, W. Edwards,(1986), *Out of Crisis*, Cambridge, MA: MIT Center for Advanced Engineering Study.

Kotler, Phillip (1981), *Marketing Management*, Englewood Cliffs, NJ: Prentice Hall.

Johnson, William C. and Chvala, Richard J.(1997), *Total Quality in Marketing*, Delray Beach, FL: St. Lucie Press.

# A FOLLOW-UP STUDY OF THE ROLE PORTRAYAL OF MEN AND WOMEN IN GENERAL AUDIENCE MAGAZINE ADVERTISEMENTS

*Bert J. Kellerman, Southeast Missouri State University*

*Janet Miller, Magna-Tel, Inc.*

*Mary Ann Kellerman, Southeast Missouri State University*

---

## ABSTRACT

*This study examines the role portrayal of men and women in general audience magazines. A classification procedure was followed that would allow comparisons with other studies using 1970 and 1982 magazines. The findings suggest limited improvement in the role portrayal of women.*

---

## INTRODUCTION

Betty Friedan's *The Feminine Mystique*, in 1963 marked the beginning of a new wave in feminism. Friedan, a writer for *McCall's* magazine, became interested in women's roles in magazines during earlier decades and found a change over time. She found that in the late thirties women were more likely to be portrayed in fiction in women's magazines as autonomous heroines seeking to fulfill their own personal goals, but as the forties progressed, the autonomous heroine gave way to the glorified housewife whose primary role was to run the household and to nurture others. Friedan then examined the advertising content of women's magazines and concluded that manufacturers had decided to make women better consumers of home products by reinforcing and rewarding the concept of women's total fulfillment through the role of housewife and mother (Courtney and Whipple 1983, p. 3).

While Friedan's research was not highly scientific, it raised questions that have concerned researchers since that time. Thus, more scientific attempts have been made to document the actual situation. The first study regarding sexual stereotyping in print advertising to appear in the marketing literature appears to have been reported in the February, 1971, issue of the *Journal of Marketing Research* (Courtney and Lockeretz). The study analyzed the roles portrayed by men and women in eight general audience magazines, and reported a number of stereotypes being reflected in the ads. They were: (1) that a women's place is in the home, (2) that women do not make important decisions or do important things, (3) that women are dependent and need men's protection,

and (4) that men regard women primarily as sexual objects. A follow up study using the same methodology was reported in the *Journal of Marketing Research* in May, 1973 (Wagner and Banos). The Wagner and Banos study reported progress being made in the percentage of women being portrayed in working roles.

Belkaoui and Belkaoui (1976) provided a historical perspective by studying the same women's magazines from 1958 (prewomen's movement) and comparing those findings with the 1970 data reported by Courtney and Lockeretz (1971) and the 1972 data reported by Wagner and Banos (1973). Belkaoui and Belkaoui concluded that the stereotypes from the prewomen's movement remained and that advertisers were not keeping up with women's changing roles. Wolhete and Lammers (1979) examined the same magazines for the years 1958, 1968, and 1978, but focused on the role portrayal of males rather than females.

Sullivan and O'Connor (1988) replicated the Belkaoui and Belkaoui (1976) and the Courtney and Lockeretz (1971) studies. They concluded that there had been an increase in women portrayed as workers as reflected in general audience magazine ads in 1983. Sterrett, Kellerman, and Kellerman (1984) also replicated the Courtney and Lockeretz study. Their most important finding was a substantial shift toward greater use of the decorative role for both sexes within the nonworker category since 1970. The Courtney and Lockeretz methodology has also been utilized to make cross cultural comparisons (Wiles and Tjernlund 1991).

**TABLE 1**  
**Magazines Used in the Three Studies Being Compared**

1970 <sup>a</sup>	1982 <sup>b</sup>	1996 <sup>c</sup>
Life	Life	Life
Newsweek	Newsweek	Newsweek
The New Yorker	The New Yorker	The New Yorker
Time	Time	Time
U.S. News & World Report	U.S. News & World Report	U.S. News & World Report
Readers Digest	Readers Digest	Readers Digest
Saturday Review	Saturday Review	Saturday Evening Post
Look	People	People

<sup>a</sup> Courtney and Lockeretz (1971)

<sup>b</sup> Sterrett, Kellerman, and Kellerman (1984)

<sup>c</sup> Current Study

The women's movement spawned many other studies that have utilized other methodology, other magazines, or other media (for example, Sexton and Haberman 1974; Wortzel and Frisbie 1974; Venkatesan and Losco 1975; Peterson and Kerin 1977; Lundstrom and Sciglimpaglia 1977; Schneider and Schneider 1979; Kellerman, Kellerman, and Sterrett 1985; Leigh, Rethans, and Whitney 1987).

#### PURPOSE AND METHODOLOGY

The purpose of this study is to replicate the Courtney and Lockeretz study of women's role portrayal in magazine advertisements and make comparisons with it and with a study that was done in the early 1980s that also used the Courtney and Lockeretz methodology. This will provide an opportunity to compare role portrayal in ads from 1970, 1982, and 1996. These do not represent equal divisions of time, but should provide a picture of some of the changes that are occurring regarding the way women are shown in these magazine ads. The ads in eight audience magazines published during the summer of 1996 were analyzed. These magazines were largely the same (see Table 1) as those used in the original study by Courtney and Lockeretz (1971) and an early 1980's study by Sterrett, Kellerman, and Kellerman (1984).

Following the Courtney and Lockeretz procedure, each ad of a half page or more which included one or

more adults was analyzed to determine the number and sexes of all adults, and their occupation or activities. Comparisons of the more recent data with the two earlier studies was then possible.

#### FINDINGS

The analysis of general audience magazines from the summer of 1996 indicates that men are still much more likely than women to be portrayed in a working role, 55 percent for men compared to 11 percent for women (Table 2). This is exactly the same ratio (5 to 1) as in 1970 ads and slightly higher than the 4 to 1 ratio in 1982 ads. The data suggest that the current trend is to show both sexes more as workers, while in the early 80's the pattern seemed to be toward greater use of the nonworker categories.

Table 2 also shows the breakdown by occupational categories. While the low numbers in some categories do not warrant strong conclusions, it does appear that there has been some upgrading of the roles being portrayed, especially for women. The category that appears to have shown especially strong growth is entertainers/professional sports.

Table 3 shows the proportion of adults shown in different nonworker roles. It appears that there has been a continual decline in the use of men in a family role.

**TABLE 2**  
**Proportion Shown as Workers and Nonworkers and Occupational Categories of Workers**

	1970 <sup>a</sup>		1982 <sup>b</sup>		1996 <sup>c</sup>	
	Percent of Males	Percent of Females	Percent of Males	Percent of Females	Percent of Males	Percent of Females
Proportion Shown as Workers	45	9	32	8	55	11
Proportion Shown as Nonworkers	55	91	68	92	45	89
Occupational Categories of Workers						
High-Level Business Executives	10	0	7	0	15	0
Professional	9	0	23	50	15	14
Entertainers/Professional Sports	20	58	37	17	58	86
Sales/Middle-Level Business/ Semi-Professional	7	8	10	17	4	0
Nonprofessional White Collar	2	17	3	17	0	0
Blue Collar	40	17	20	0	4	0
Soldiers/Police	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>101*</u>	<u>100</u>	<u>100</u>

Source: <sup>a</sup> Courtney and Lockeretz (1971)

<sup>b</sup> Sterrett, Kellerman, and Kellerman (1984)

<sup>c</sup> Current Study

\*Does not equal 100% due to rounding

Women were used less in a family role in 1982, but the 1996 percentage has increased to almost the same as the 1970 level. Perhaps somewhat surprising, the use of the recreational role has declined significantly from 1970 for both sexes. Sterrett, Kellerman, and Kellerman (1984) found a large shift toward greater use of the decorative role for both sexes. The trend seems to have continued as the decorative role is by far the most often used nonworking role. Decorative does not mean in a sexual way, but simply in an inactive way (e.g., a man or woman standing by a new car).

### SUMMARY AND CONCLUSIONS

While the percentage of women shown as workers increased slightly, men continue to be shown proportionally much more in working roles in general audience magazine ads than do women. In fact, the ratio

is basically the same as it was in the early days of the women's movement in 1970. With the proportion of women in the workforce continuing to grow, it appears that the portrayal of women as workers in the magazines analyzed may have actually declined relative to their proportion in the workforce.

The findings regarding nonworking roles can be summarized as follows: men appear to be shown less in a family role, both sexes seem to be shown less in a recreational role, and both sexes are shown more in a decorative (inactive) role. Overall, looking at the percentages in Table 3, it appears that men have experienced greater change in their nonworker role portrayal than have women, but with both groups experiencing considerable change.

**TABLE 3**  
**Nonworking Roles of Men and Women Shown in The Ads**

Roles of Nonworkers	1970 <sup>a</sup>		1982 <sup>b</sup>		1996 <sup>c</sup>	
	M	F	M	F	M	F
Family	22%	23%	12%	14%	0	22%
Recreational	56%	46%	19%	15%	14%	3%
Decorative	22%	31%	69%	71%	86%	75%
Total	100%	100%	100%	100%	100%	100%

Source: <sup>a</sup> Courtney and Lockeretz (1971)

<sup>b</sup> Sterrett, Kellerman, and Kellerman (1984)

<sup>c</sup> Current Study

Does advertising lead or reflect social change? The authors believe that it does some of both. It really depends on the product being marketed and the market segment being targeted. While the percentage of women shown working has not increased greatly, there has been some upgrading of the jobs in which women were portrayed. This appears to at least partially reflect social changes occurring in our society. One line of argument that could support these working role changes and also be a possible reason for the greater use of the decorative role of women

is that advertisers are hesitant to show women in some roles for fear of criticism. Portraying women in certain jobs may be criticized, as might showing them too often in a family or recreational role. The decorative role is harder to criticize. The person is present in the ad but is basically inactive and the reader can't tell if she (or he) is a worker or nonworker. Perhaps this is being viewed as a safer strategy by today's advertisers in general audience magazines.

#### REFERENCES

- Belkaoui, Ahmed and Janice J. Belkaoui (1976), "A Comparative Analysis of the Roles Portrayed by Women in Print Advertisements, 1968, 1970, 1972," *Journal of Marketing Research*, 13 (May), 168-172.
- Courtney, Alice E. and Sarah Wernick Lockeretz (1971), "A Women's Place: An Analysis of the Roles Portrayed by Women in Magazine Advertisements," *Journal of Marketing Research*, 8 (February), 92-95.
- \_\_\_\_\_ and Thomas W. Whipple (1983), *Sex Stereotyping in Advertising*. Lexington, MA: Lexington Books, D.C. Heath and Co.
- Kellerman, Bert J., Mary Ann Kellerman, and Jack L. Sterrett (1985) "Role Portrayal: A Comparison of Ads in Men's and Women's Magazines," in *Evolving Marketing Horizon: 1985 Focus*, Midwest Marketing Association 1985 Proceedings, Paul C. Thistlethwaite, Dorrie M. Billingsley, and John Berens, eds. 19-34.
- Leigh, Thomas W., Arno J. Rethans, and Tamatha Reichenbach Witney (1987), "Role Portrayals of Women in Advertising: Cognitive Responses and Advertising Effectiveness," *Journal of Advertising Research*, 27 (October/November), 54-63.
- Lundstrom, William J. and Donald Sciglimpaglia (1977), "Sex Role Portrayals in Advertising," *Journal of Marketing*, 41 (July), 72-79.

- Peterson, Robert A. and Roger A. Kerin (1977), "The Female Role in Advertisements: Some Experimental Evidence," *Journal of Marketing*, (October), 59-63.
- Sexton, Donald E. and Phyllis Haberman (1974), "Women in Magazine Advertisements," *Journal of Advertising Research*, 14 (August), 41-46.
- Sterrett, Jack L., Bert J. Kellerman, and Mary Ann Kellerman (1984), "The Role Portrayal of Men and Women in Magazine Advertisements: A Follow-up Study," in *Evolving Marketing Horizons: 1984 Style*, Midwest Marketing Association 1984 Proceedings, Paul C. Thistlethwaite, Dorris M. Gorman, Lynn J. Loudonback, and Jim L. Grimm, eds. 201-206.
- Sullivan, Gary L. and P. J. O'Conner (1988), "Women's Role Portrayals in Magazine Advertising: 1958-1983," *Sex Roles, A Journal of Research*, 18 (February), 181-188.
- Venkatesan, M. and Jean Losco (1975), "Women in Magazine Ads: 1959-71," *Journal of Advertising Research*, 15 (October), 49-54.
- Wagner, Louis C. and Janis B. Banos (1973), "A Women's Place: A Follow-up Analysis of the Roles Portrayed by Women in Magazine Advertisements," *Journal of Marketing Research*, 10 (May), 213-214.
- Wolhete, Maralinda and H. Bruce Lammers (1979), "An Analysis of Male Roles in Print Advertisements Over a 20-Year Span: 1958-78," in *Advances in Consumer Research*, J. C. Olson, ed. Ann Arbor: Association for Consumer Research, 760-761.
- Wortzel, Lawrence H. and John M. Frisbie (1974), "Women's Role Portrayal Preference in Advertisements: An Empirical Study," *Journal of Marketing*, 38 (October), 44-46.
- Wiles, Charles R. and Anders Tjernlund (1991), "A Comparison of Role Portrayal of Men and Women in Magazine Advertising in the USA and Sweden," *International Journal of Advertising*, 10, 259-267.

# Gender Differences in Student Assessment of Characteristics Related to a Sales Career

Robert W. Cook, West Virginia University

---

## ABSTRACT

*The present study examines male/female differences in interest in a sales career. The results indicate that a career in sales is viewed relatively the same by both genders, but significant differences arise related to compensation, supervision, recognition, and challenge issues.*

---

## INTRODUCTION

It is no secret that a career in sales has been about as popular among college students as computer geek at a fraternity party. This is particularly troubling in consideration of the fact that employment opportunities upon graduation for undergraduate marketing majors are most plentiful in sales and retailing. Other areas such as product management, marketing research, or advertising often require an advanced degree. Hence undergraduate marketing majors delete a large number of potential employment opportunities from consideration when they make an a-priori decision that a career in sales or sales management is unacceptable.

A number of student surveys over the years have painted a picture of students concerned about sales jobs involving frustration, and travel while interfering with home life and contributing little to society (Churchill, 1997; Sales Management, 1962; Paul and Worthing, 1970; Dubinski, 1980; Cook and Hartman, 1986). Worse yet, it appears that at least on campus the popularity of selling as a career is on the decline. A recent survey (Swenson, 1993) found that in the previous decade from 1980-1990 student evaluations of the appeal of a sales career dropped significantly ( $p < .01$ ) when compared to a baseline study (Dubinsky, 1981).

Obviously not everything associated with a sales career had negative connotations. As summarized by Churchill (1997), the literature suggests that sales people are relatively satisfied with their jobs based on the following attributes associated with sales careers:

Freedom of Action  
Opportunities for Personal Initiative  
A Variety of Challenging Activities  
Financial Rewards

Favorable Working Conditions  
Good Opportunities for Career Development  
and Advancement

Since job placement opportunities for graduates are relatively abundant, and student interest is lagging, continued study is warranted to better understand the issues.

## RESEARCH HYPOTHESES

This research study was guided by the following hypotheses:

1. That women are significantly less interested in a sales career than men
2. That there is no difference in how males and females perceive a sales career
3. That there are male/female differences preference for attributes associated with a sales career.
4. That there are male/female differences in the importance of attributes associated with a career decision.

## METHODOLOGY

Based on a review of the literature, a questionnaire was devised to investigate three components. Each component consisted of a five point Likert type scale anchored by either "strongly disagree/strongly agree" or "not important/very important". The first part investigated student interest in a sales career and attributes that the literature suggests may be associated with it. The second part investigated whether students actually associated these attributes with a career in selling. And the third component investigated the importance of these attributes in students' career



**Table 1\***  
**T-Test Results on Statements Related to Employment**

<u>Statement</u>	<u>Mean Males</u>	<u>Mean Females</u>	<u>p &gt;  T </u>
I would like a career in sales	2.08	1.71	0.180
I would like a career in sales management	2.39	2.29	0.695
I would like to be paid by straight commission	1.24	0.70	0.029
I would like to be paid by straight salary	2.37	2.59	0.358
I would like to be paid by salary + commission	3.16	2.71	0.041
I would like freedom of action	3.33	3.00	0.084
I would like to be closely supervised	1.18	0.97	0.386
I would like the opportunity to travel	2.90	3.26	0.089
I would like a non sales related career	2.04	2.21	0.502
I would like opportunity for personal initiative	3.06	3.00	0.777
I would like variety in my work activities	3.25	3.38	0.506
I would like to be challenged	3.27	3.24	0.839
I would like to advance rapidly	3.47	3.53	0.750

\*Five point scale from 0 "strongly disagree" to 4 "strongly agree"

**Table 2\***  
**T-Test Results on Belief About Attributes Associated With a Career in Sales**

<u>Statement</u>	<u>Mean Males</u>	<u>Mean Females</u>	<u>p &gt;  T </u>
Challenging	3.04	3.24	0.351
Financially Rewarding	2.96	2.94	0.925
Involves a Lot of Travel	2.73	2.82	0.581
Opportunity for Personal Initiative	2.96	3.09	0.529
Variety in Work Activities	2.57	2.65	0.701
Freedom of Action	2.71	2.74	0.892
Close Supervision	1.39	1.38	0.963
Rapid Advancement	2.41	2.29	0.568

\*Five point scale from 0 "strongly disagree" to 4 "strongly agree"

decisions. The statements related to the three components are included respectively in Tables 1, 2, and 3.

A convenience sample of 85 business students were administered the questionnaire. The data were analyzed by computing a T-Test between male and female responses to each of the questions.

### RESULTS

The results of the T-Test for section one regarding statements related to interest in a career in sales and its associated attributes are contained in Table 1.

There was general agreement between males and females on ten of the thirteen items tested. The results support the generalization from the published literature that on average neither males nor females are particularly interested in a sales career, and only slightly more so for a career in sales management. Males in this study showed more interest than females, but not significantly so. Midpoint on the scale is represented by a 2.0 and hence the mean scores suggest that males appeared to be fairly equally divided while females on average were opposed to a career in sales. In the case of both genders the mode for interest in either a sales career or sales management career was a "2" indicating neither

**Table 3\***  
**T-Test Results on Importance of Attributes Associated With a Career Decision**

<u>Statement</u>	<u>Mean</u>	<u>Mean</u>	<u>p &gt;  T </u>
	<u>Males</u>	<u>Females</u>	
Challenging	3.04	3.29	0.093
Financially Rewarding	3.68	3.47	0.167
Involves a Lot of Travel	2.62	2.68	0.786
Opportunity for Personal Initiative	3.02	3.11	0.616
Variety in Work Activities	3.02	3.12	0.578
Freedom of Action	3.06	2.85	0.259
Close Supervision	1.06	1.38	0.096
Rapid Advancement	3.14	3.21	0.720
Recognition	3.15	3.45	0.097

\*Five point scale from 0 "not important" to 4 "very important"

agreement nor disagreement with the statement. Gender differences did arise, however, with respect to method of compensation. Males were significantly more interested than females ( $\alpha = 0.05$ ) in a compensation system with a commission component whether it be straight commission or salary plus some form of commission. Men were also significantly more interested than females ( $\alpha = 0.10$ ) in a position that offered freedom of action on their parts. Females were significantly more interested in travel opportunities than their male counterparts.

The results of the T-Test for section two regarding statements related to the degree of association between selected attributes and a career in sales are contained in Table 2. With respect to how women and men view the attributes possibly associated with a sales career, there were no significant differences. In every case both genders on average associated the attributes listed with a career in sales. (Note that the item on supervision should be reverse scored, as freedom from close supervision is normally associated with sales careers).

The results of the T-Test for the third part of the questionnaire, regarding the importance of attributes that might be associated with any career, are contained in Table 3. With respect to which attributes are important for whatever career choice might be made, males and females are in general agreement on six of the nine attributes investigated. Where there is significant disagreement ( $\alpha = 0.10$ ) women are more interested than men in both finding a challenging career and in recognition for their efforts. While neither gender is interested in close supervision, males find it significantly

less desirable than females.

### CONCLUSIONS AND IMPLICATIONS

The first research hypothesis, that women are less interested in a sales career than men, was not supported by analysis of the data. With respect to a sales career, the mean scores suggest that males may be more interested in a selling career (although not significantly so), but that males and females are virtually in a dead heat with respect to interest in a career in sales management. This is a finding in conflict with what Cook (1986) found a decade ago. In that study where the preference for a sales career for males over females was significant at the 0.01 level! This may reflect a change in attitudes in the decade following the Cook study.

The second research hypothesis, that there is no difference in how males and females perceive a sales career, was upheld by the data. As can be seen in Table 2, there were no significant differences in how either gender perceives attributes in terms of their degree of association with a sales career.

The third research hypothesis, that there are male/female differences preference for attributes associated with a sales career, was again upheld by the data. As can be seen in Table 1, males were more interested in having a compensation scheme with a commission component than were females. Males were also more interested in having freedom with respect to their on the job actions. It would appear that men, therefore, are more interested in an income that directly reflects their performance (i.e. commission sales). The

direction of the means on straight salary compensation (i.e. females more interested than males) would support that conclusion, but the difference was not significant in the present study. Females were more interested in a job that includes travel.

The fourth research hypothesis, that there are male/female differences in the importance of attributes that may be associated with a career decision, was also supported by the data. Table 3 demonstrates that for females challenge and recognition are significantly more important in a career decision than for males. Males, on the other hand, are significantly less interested in a career that entails close supervision.

What emerges from this study is a very interesting pattern differentiating males and females with

respect to a career in sales. As compared to females, males seek a career with minimal supervision, which allows them freedom of action whereby their efforts are compensated by a commission scheme that gives rewards commensurate with their efforts. Females, as compared to males, find challenge and recognition to be more important and have a greater preference for a position that allows travel.

Given that finding, it is likely that gender-based employment differences in different types of sales careers may be partially explained by significant differences in male/female interests and values. Males and females may well seek and thrive in different types of selling positions based on gender differences uncovered in the present study. Understanding these differences is important for recruiting and managing a diverse sales force.

---

## REFERENCES

- Churchill, Gilbert A., Neil M. Ford, and Orville C. Walker, Jr. (1997), *Sales Force Management*, Richard D. Irwin, Chicago.
- Cook, Robert W. and Timothy Hartman (1986), "Female College Student Interest in a Sales Career: A Comparison," *Journal of Personal Selling and Sales Management*, 6 (May), 29-34.
- Dubinsky, Alan J. (1980), "Recruiting College Students for the Sales Force," *Industrial Marketing Management*, 9 (February), 37-45.
- Dubinsky, Alan J. (1981), "Perceptions of the Sales Job: How Students Compare with Industrial Salespeople," *Journal of the Academy of Marketing Science*, 4 (Fall), 352-67.
- Dubinsky, Alan J., and P. J. O'Connor (1983), "A Multidimensional Analysis of Preferences for Sales Positions," *The Journal of Personal Selling and Sales Management*, 3 (November), 31-41.
- Paul, Gordon W. and Parker Worthing (1970), "A Student Assessment of Selling," *Southern Journal of Business*, 5 (July), 57-65.
- "Selling is a Dirty Word" (1962), *Sales Management*, (October 5), 44-47.
- Swenson, Michael J., William R. Swinyard, Frederick W. Langrehr, and Scott M. Smith (1993), "The Appeal of Personal Selling as a Career: A Decade Later," *Journal of Personal Selling and Sales Management*, (Winter), 51-64.

# INTERNAL MARKETING COMMUNICATIONS AS A MANAGEMENT RESPONSIBILITY: GETTING BAD NEWS TO THE TOP

*Richard Slovacek, North Central College*

---

## ABSTRACT

*While positive feedback typically encounters no encumbrances in internal communication channels, bad news may travel neither far nor fast. It may even be transformed, by some sort of organizational alchemy, into good news. Organizations must institutionalize procedures which force marketing managers to systematically seek out contrary information.*

---

## INTRODUCTION

An important but often overlooked element of marketing communications is that of maintaining an effective channel for internal communications, especially one which conveys bad news up to management. Most large organizations face the continuing problem of developing and maintaining mechanisms to ensure that bad news is communicated to marketing managers before a situation assumes crisis proportions. Irving Shapiro, a former chief executive officer of E. I. du Pont de Nemours & Company, summed it up quite well when he said, "The basic ground rule is that you can't be taken by surprise. You get lots of information and most of it is unnecessary. The organization tends to want to give you the good news and not cough up the bad news. But to manage well, you have to get the message across that whatever the story is, let's get it on the table fast so there are no surprises. But it doesn't always work that way." (Wayne, 1986, p. D1)

The focus of this paper is primarily on upward communication, and more specifically on the reasons to increase the flow of negative information to upper levels in an organization, and on the methods to accomplish this. A marketing manager may be a specialist in the marketing function, but first and foremost is and must be a manager, and good management practice applies to every functional area. Upward communication is an essential element in the function of the management process. Without it, a manager is basically flying blind. This feedback may originate from within the organization or from outside it. The information may show that no changes are necessary or, conversely, a complete and immediate change could be essential to the organization's survival. The appropriate response is usually somewhere between these two extremes. The primary purpose of such feedback is to reduce a totally unexpected

event to that of being merely an uncertain one. The goal is one of achieving consistency between the actual situation and management's perception of it. Consequently, marketing managers may wish to consider borrowing a saying that is often used by journalists: If your mother says she loves you, check it out.

Positive feedback typically encounters few encumbrances in communication channels. The saying that bad news travels fast may be true in some instances, but negative upward communication in many organizations may travel neither far nor fast. It may even be transformed, by some kind of organizational alchemy, into good news before reaching the top. Ineffective upward communication of bad news may result in consequences ranging from irritating to disastrous. Examples in business often involve the premature or ill-conceived introduction of new products which have serious inherent design flaws that erode consumer confidence and damage a company's public image. Effective use of upward communication of negative feedback can prevent such damage, as when Lotus Development Corporation, after receiving 30,000 complaints, canceled plans to sell a marketing data base which contained demographic information on 80 million U.S. households (Radding, 1991). Conversely, delayed communication can only make a bad situation even worse. Lamb, et al., (1996) cite the example of Exxon's mismanagement of the *Valdez* oil spill in Alaska to illustrate the importance of companies having a communication policy firmly in place before a disaster occurs.

There are many reasons why bad news does not flow upward as freely as positive news. Along with a natural reluctance on the part of individuals to send such messages, these reasons include: barriers (geographic, procedural, or time lag) which separate a manager from

subordinates and delay communications; upper management's intolerance for and attitudes toward negative communication; a previous pattern of management's failure to respond to negative communication by not making recommended operational changes. If subordinates believe that they will be penalized for candor, they are much more likely to withhold, restrict, or distort negative information. A Turkish proverb says that the individual who tells the truth should have one foot in the stirrups.

Three behavioral factors influence the selective filtering of information by subordinates, according to Lawless (1979). First, the greater the ambition of the subordinate to get ahead, the less accurately he or she tends to communicate up the chain of command those aspects which reflect negatively on personal performance. Second, distortions are more likely to occur if there is a lack of confidence between superior and subordinate. Third, the greater the influence a supervisor is perceived to have over a subordinate's career, the greater the tendency for the subordinate to withhold problem information if it may hinder his or her progress or promotion.

Organizational behavior theorists have defined two general methods, as cited by Wayne (1986), for increasing the likelihood that managers will get the bad news as well as the good. First is a cultural solution, in which the organization fosters an atmosphere of open communication and free flow of information to overcome the natural tendency for subordinates to report only good news in the hope that the problems will somehow be solved at the lower level, or solve themselves. In this climate, the messenger who delivers the bad news must believe that there will be no repercussions for communicating it. Second is a structural response, in which safe communication channels or procedures are established to ensure that bad news flows to the correct managers. Charles A. O'Reilly, professor of management at the University of California at Berkeley, maintains that "the solution has to be structural. Otherwise you have to rely on every level of the organization to create the right ambience." (p. D24)

A generally accepted principle of organizational behavior is that rewards determine behavior. According to Robert B. Duncan, Associate Dean of the Kellogg Graduate School of Business at Northwestern University, "It really ties into the reward system and the culture of the organization. If people are beat on when they bring up problems, they will just sit back when they see a problem and say, 'That's not my responsibility.'" (Wayne, 1986, p. D24)

## CORRECTIVE ACTIONS

Instituting structural or procedural changes to accomplish the transition to an open climate is the responsibility of top management. Irving Shapiro, while he was chief executive officer at DuPont, had three channels of information--the formal structural channel, an informal channel by which trusted employees felt free to call him when necessary, and his "corridor communication," a channel by which he acquired information as he wandered the halls and offices at DuPont (Wayne, 1986). Peters and Waterman (1982), in their search for excellent organizations, identified this practice of direct observation as MBWA--Management By Wandering Around. Wayne (1986) cites Frank B. Williams, the manager of personnel communications at Hewlett-Packard, as saying, "When you have managers wandering around, it reinforces a sense of approachability. An employee is more likely to take a small problem to a manager informally on the employee's own time and turf. By the time an employee approaches the manager in his office, the problem has usually gotten bigger." (p. D24)

The lines connecting the job titles on a typical organizational chart represent the formalized channels for upward communication. According to Rue and Byars (1986), the major kinds of information communicated along these channels to decision makers from lower levels include:

1. Subordinates' (and therefore the organization's) progress, achievements, and plans for future action.
2. Unresolved questions or problems for which subordinates require information or assistance.
3. Subordinates' recommendations for change or improvement in organizational activities.
4. Information about the organization's internal environment (i.e. organizational climate) and external (i.e. operating and societal) environments.

Negative information coming up from lower levels is often contrary to top management's own view or projections of reality. An organization must institutionalize procedures which force managers to try to disprove their own beliefs by systematically searching out contrary information. The danger in not doing so is to become like the wag's definition of a politician: someone who lies to the press, and then believes what he reads.

Joseph de Rivera recommends that a management group be assigned the specific function of making an

opposition case after an organization has embarked upon a particular plan or policy since, at this point, an organization becomes even less objective than a single individual might be. During the implementation phase, such a group would:

1. Continue to actively look for information contrary to the management's assumptions and plans.
2. Serve as a repository for such negative information.
3. Insure that filters in the information system are properly placed, that adequate feedback is given, and that unpopular views are heard at high levels.
4. Make the most reasonable case possible for alternative beliefs and plans.
5. Be ready to suggest new policies if and when changing conditions substantiate the opposition's viewpoint.

An alternative to institutionalizing this procedure is the cultivation of a devil's advocate view within the top levels of the organization as an aid in keeping a realistic perspective. However, Alexander George (1980) observed that an institutionalized devil's advocate, instead of stirring up needed debate among the members in a policy-making group, may paradoxically provide the "comforting feeling that they have considered all sides of the issue and that the policy chosen has weathered challenges from within the decision making circle." (p.172)

An example of this misuse of the devil's advocate role is provided by George Reedy (1970), President Lyndon Johnson's press secretary, who said that, within the President's advisory councils, "It is well understood that he [the member who played the role of devil's advocate] is not going to press his points harshly or stridently. Therefore, his objections and cautions are discounted before they are delivered. They are actually welcomed because they prove for the record that a decision was preceded by controversy." (p. 11)

If a devil's advocate technique is to be implemented in an organization, it would behoove its chief executive to recall Avi Shlaim's (1976) caveat:

"Individuals who 'rock the boat,' particularly if they do this persistently and vociferously, are neither welcomed nor rewarded in government, and rarely stay there for very long. For devil's advocates to work effectively, therefore, it is not enough to appoint them and then to tolerate with ill-disguised impatience their questioning of agreed assumptions and their challenges to the conventional wisdom. Unless they are actively supported and valued, their views will carry little

weight, and their colleagues will conclude that the only safe position is that which confirms what the leaders are presumed to prefer." (p. 23)

One structural solution for getting bad news to the top is to establish some type of "hot line," by which the organization's members have direct and anonymous access to top management. This is a way to encourage the equivalent of internal whistle blowing, a situation in which the desired objective is accurate information, but without the adverse consequences and retribution which individuals can incur if they go outside the organization. Whistle blowing has been defined by Alan Campbell, Director of the Office of Personnel Management, as "any disclosure of a legal violation, mismanagement, a gross waste of funds, an abuse of authority, or a danger to public health or safety, whether the disclosure is made within or outside the chain of command." (Bowman, 1984, p. 3)

Whether an organization member chooses to communicate bad news up through the chain of command or go outside the organizational structure depends on several factors. These include, among others, the extent of the problem, the organizational climate, the individual's motives, and, according to Burke (1985), "whether the individual has made an honest effort to correct the wrong by using the chain of command channels that are available." (p. 119)

Another technique by which a marketing manager may try to gather accurate information is by means of an "open door" policy, under which subordinates are encouraged, either collectively or individually, to come directly to the manager through his or her open office door to talk about anything that is troubling them. However, as Luthans (1989) points out, "In practice the open-door policy is more fiction than fact. The boss may slap the subordinate on the back and say, 'My door is always open to you,' but in many cases both the subordinate and the boss know the door is really closed." (p. 522)

While the intent of this policy ostensibly may be to gather accurate information on organizational performance, this rarely occurs in practice. The reasons for this are the ones discussed previously about the superior's perceived influence on the subordinate's career, or a lack of confidence in the superior. David Lawless (1979) observed that, "As a result, most subordinates who walk through the open door come to tell of something irrelevant or unimportant, to agree with supervisory decisions that appeared on the notice board, or to relate things stripped of potentially disturbing or potentially misinterpretable facts." (p. 203)

A final procedural method for gathering negative

information is the implementation of required periodic reporting by lower levels within the organization. Such reports should be effective if they are primarily objective or quantitative in format and track key result areas which gauge organizational performance. Over time, this method should indicate whether and where a problem is developing. Identifying the cause is likely to require additional and more direct probing. However, the critical factor in using this method is the regularity of communication, so that performance trends and baselines may be readily established, and serious deviations more readily detected.

An example of the effective use of this method occurred when, shortly after he assumed the position of First Lord of the Admiralty in September, 1939, Winston Churchill appointed his old friend, Oxford University Professor Frederick Lindemann, as his scientific adviser on armaments production. Within a short time, Lindemann's reports on deliveries of ammunition, torpedo, and oil had become an important feature of Admiralty business. Churchill searched the charts every morning to find any area of weakness, or potential danger, and to act on it. The following summer, when the Battle of France was near its end and, in Churchill's words, "the whole fury and might of the enemy" would soon turn upon Britain, armaments production was the key to survival. Now the Prime Minister, Churchill wrote to Lindemann: "You are not presenting as I should like every few days, or every week, with a short, clear statement of the falling off or improvement in munitions production. I am not able to form a clear view unless you do this." (Gilbert, 1991, p. 655) Top management's need for the effective

communication of negative information, as well as the possible consequences for such communication, were succinctly summarized by Samuel Goldwyn when he said, "I don't want any yesmen around me. I want people who will tell me the truth, even though it costs them their jobs." (Bowman, 1984, Foreword)

Such individual dedication to truth in total disregard of the probable consequences is unlikely to be prevalent in most organizations, however. What is possible is for marketing managers, at whatever their level within the organization, to take the following actions, which build on the methods discussed above, in order to increase the flow of negative information:

- 1) Require regular reports on important factors and track changes in these factors over time.
- 2) Avoid relying on a single reporting channel to relay important information. Use multiple communication conduits to verify and cross-check before taking any drastic steps.
- 3) Go see for yourself how things are going, and at random intervals.

These methods should help marketing managers obtain the information they need, and also help prevent any tendency to try to test the depth of uncharted waters with both feet at the same time.

---

## REFERENCES

- Bowman, J., (1984), Professional Dissent: An Annotated Bibliography and Resource Guide, New York: Garland Press
- Burke, Arleigh. (1985), "Integrity." *U.S. Naval Institute Proceedings*, (October), p. 119.
- de Rivera, Joseph, (1968), The Psychological Dimension of Foreign Policy, Columbus, OH: Charles E. Merrill Publishing Co.
- George, Alexander, (1980), Presidential Decisionmaking in Foreign Policy: The Effective Use of Information and Advice, Boulder, CO.,
- Labovitz, G, (1982), "Want to Find Out What's Going On? Take a Walk," *The Wall Street Journal*, (December 20), p. 16.
- Lamb, Charles W. (1996), Joseph F. Hair, Jr., & Carl McDaniel, Marketing, South-Western
- Lawless, David (1979), Organizational Behavior: The Psychology of Effective Management, Englewood Cliffs, NJ: Prentice-Hall
- Luthans, Fred (1989), Organizational Behavior, New York: McGraw-Hill
- Peters, Thomas, & R. Waterman, (1982), In Search of Excellence, New York: Harper & Row

Radding, Alan, (1997), "Consumer Worry Halts Data Bases," *Advertising Age*, (February 11), p. 28.

Reedy, George, (1970), The Twilight of the Presidency, New York: World Press.

Rue, L. & L. Byars, (1986) Management: Theory and Application, Homewood, IL: Richard D. Irwin

Shlaim, Avi, "Failures in National Intelligence Estimates: The Case of the Yom Kippur War." *World Politics*, pp. 21-28.

Wayne, L. (1986) "Getting Bad News at the Top," *The New York Times*, (February 28), p. D1.



# IS THERE A DIRECT EFFECT OF MARKET ORIENTATION ON BUSINESS PERFORMANCE? THE ROLE OF A MEDIATOR

*Tung-Zong Chang, Metropolitan State College, Denver  
Su-Jane Chen, University of Wisconsin-Eau Claire*

---

## ABSTRACT

*Recent research has shown that more market-oriented businesses are able to generate greater business performance. The authors propose that market orientation does not directly affect business performance and show how an intermediate variable, service quality, may mediate a market orientation-performance relationship.*

---

## INTRODUCTION

Marketing researchers has long stressed the importance of the marketing concept and has regarded it as a foundation of the marketing discipline. Recent research provides the much-needed theoretical framework for the effect of market orientation, the implementation of a marketing concept, on business performance and shows some empirical support (e.g., Jaworski and Kohli 1993; Narver and Slater 1990). Overall, more market-oriented business units seem to enjoy a higher level of business performance. The present study examine the mediating role of service quality in the market orientation-performance linkage in context of a stock brokerage service industry. A direct effect of market orientation on performance is compared with an indirect one. The results are expected to shed some light on how market orientation, service quality, and business performance are related and to offer important managerial implications for marketing practitioners.

## CONCEPTUAL DEVELOPMENT

### Market Orientation and Service Quality

Market orientation implies that a business obtains information from customers about their needs and takes action based on that information, while considering competition and regulations. In a dynamic marketing environment, marketers continuously modify their offering mix in response to and/or in anticipation of changing needs and competitors' actions. Such consistent efforts by a market-oriented firm narrow the perceptual gap between the firm's management and its customers (Zeithaml, Parasuraman, and Berry 1990).

Service firms take various steps to assure that they provide adequate services to customers in response to changing customer needs. For example, a number of automobile service centers now provide evening and/or over-night services. Consumers in Minneapolis can drop off their cars at an auto service center at night and pick up their cars the next morning. Many health clinics offer evening business hours. At Loyola University in New Orleans, an undergraduate business class was offered for the first time on Saturday in 1997, responding to the needs of a growing number of working undergraduate students. Therefore, premium service quality is expected to be an end result of a market-oriented service firm. This leads to the first hypothesis:

Hypothesis 1: The greater the market orientation of the firm, the better the overall service quality.

### Service Quality and Business Performance

Zeithaml, Parasuraman, and Berry (1990) observed that leading U.S. service companies are obsessed with service excellence. Excellent service is a key to being different, productive, and efficient, and it can pay off richly. Empirically, the relationship between quality and profitability has been acknowledged by a series of PIMS studies (e.g., Buzzell and Gale 1987; Phillips, Chang, and Buzzell 1983). The acknowledged relationship provides a strong incentive for firms to improve quality. Buzzell and Gale (1987) suggested that achieving superior quality have three competitive

advantages: premium price, resources for R&D, and better customer value. Building on the PIMS data, Phillips, Chang and Buzzell (1983) demonstrated that the quality of an SBU's products and services is the most important factor affecting the unit's performance. In a multicompany empirical study, Zeithaml, Berry, and Parasuraman (1996) found that service quality has a strong effect on behavioral intentions: subjects' loyalty to the company (+), propensity to switch (-), willingness to pay more (+), and external response to problem (-). Rust, Zahorik, and Keiningham (1995) proposed a model of service quality improvement and profitability and found that service quality improvements lead to higher customer satisfaction and retention rate, achieve cost reduction, attract new customers, and yield greater profitability. In conclusion, superior service quality has a positive effect on business profitability.

Hypothesis 2: The better the overall service quality of the firm, the greater its business profitability.

### Market Orientation and Business Performance

Competition and profitability are two dominant reasons for adopting the marketing concept, which requires a firm to understand and satisfy its customers to the extent that doing so yields profits (Houston 1986). A few recent studies demonstrate the usefulness and importance of market orientation by examining its impact on business profitability and suggest that profitability is a consequence of market orientation (Jaworski and Kohli 1993; Levitt 1969; and Narver and Slater 1990). The research findings provide some conceptual and empirical support for a positive market orientation-business performance relationship.

Hypothesis 3: The greater the market orientation of the firm, the greater its business profitability.

### A Comparison of Two Models

The previous discussion on market orientation-performance suggests a simple relationship as follow:

Model A: Market Orientation → Business Performance

Past research has shown support for the positive market

orientation-performance relationship. However the positive market orientation-service quality and service quality-performance relationships suggest a second model:

Model B: Market Orientation → Service Quality → Business Performance

The main difference between Model A and Model B is that Model A indicates a direct effect of market orientation on performance; whereas Model B indicates the effect of market orientation on performance is mediated by service quality and, thus, indirect. An indirect market orientation-performance linkage will suggest that the effect of market orientation on performance is contingent on the effect of market orientation on service quality. This leads to the following hypothesis:

Hypothesis 4: Service quality is a mediator in the market orientation-business performance relationship.

## METHODOLOGY

### Sampling and Survey Procedure

Stock brokerage firms in Taiwan were the selected sample population. Taiwan's service sector has been growing at a faster rate than its manufacturing sector in recent years, and the stock brokerage industry is one of the fastest growing service sectors. The industry is highly regulated and known for its highly standardized practices.

Respondents were managers, vice presidents, or general managers in charge of brokerage operations. A sample list of more than three hundred respondents, one per company, was compiled by the Taiwan Stock Exchange on request. Personal interviews were requested via the phone and one hundred fifty respondents were successfully interviewed in their offices. The subjects were asked to participate in a financial industry practices survey, and anonymity was guaranteed. The procedure yielded 116 valid interviews.

### Market Orientation Measure

Narver and Slater (1990) adopted a twenty-item scale. Although the three behavioral components were favorably supported by their empirical data, the two decision variables were not. A pretest on Narver and Slater's (1990) scale based on a sample of thirty-two

**The Table: Regression Models**

<i>MODELS</i>	<i>Model 1</i>	<i>Mode 2</i>	<i>Model 3</i>	<i>Model 4</i>
<i>Independent \Dependent</i>	<i>SERVQUAL</i>	<i>Profit</i>	<i>Profit</i>	<i>Profit</i>
<b>Covariates:</b>				
Conglomerate Status	0.025	-0.022	-0.064	-0.033
Respondent Seniority	-0.100	-0.102	-0.054	-0.057
Market Size	0.143 <sup>a</sup>	0.160 <sup>a</sup>	0.060	0.095
Market Share	0.001	-0.037	-0.051	-0.038
Sales Volume	0.085	0.021	0.006	0.018
<b>Market Orientation</b>	0.447 <sup>b</sup>	0.507 <sup>b</sup>	---	0.304 <sup>b</sup>
<b>Service Quality</b>	---	---	0.591 <sup>b</sup>	0.454 <sup>b</sup>
<b><math>\bar{R}</math>-Square</b>	116 0.236 <sup>b</sup>	116 0.291 <sup>b</sup>	116 0.378	116 0.449

<sup>a</sup>.  $p < 0.10$

<sup>b</sup>.  $p < 0.01$

business executives from various companies participating in a weekend senior management seminar sponsored by a major university in Taiwan also failed to support the two decision variables because of the poor factor loadings (Cronban's alpha = 0.78). Based on further analysis, we modified Narver and Slater's scale by dropping the two decision variables and replacing them with a simplified *performance anticipation* component including three items: quarterly profit objective expectation, quick payback expectation, and long-term market performance anticipation. A pretest on this revised scale on a separate section of the same seminar with thirty-seven participants produced satisfactory results (Cronban's alpha = 0.88). In conclusion, the revised scale (MKTORN) contains four components: customer orientation, competitor orientation, interfunctional coordination, and performance anticipation.

### Service Quality Measure

Marketing researchers have asserted that quality is a multidimensional construct for both products and services (Garvin 1984; Parasuraman, Zeithaml, and Berry 1988). For services, the SERVQUAL scale provides an approximate measure of quality for a general class of services (Parasuraman, Zeithaml, and Berry 1988; Zeithaml, Parasuraman, and Berry 1990). Its conceptualization and operationalization of service quality are based on a gap theory. The 22-item SERVQUAL scale is built on five components: tangibility, responsiveness, reliability, accuracy, and empathy. The five components provide adequate content validity for the select stock brokerage services. We used non-difference SERVQUAL score approach as suggested

by Brown, Churchill, and Peter (1993).

### Business Performance Measure

Objective profitability information is difficult to obtain for the selected industry due to the issue of confidentiality. Therefore, business performance was measured by the managers' own assessments of the profitability of their units in relation to that of their major direct competitors. This approach has been widely used in previous studies, and it has been suggested that direct and indirect measures of business profitability are strongly correlated (e.g., Dess and Robinson 1984; Narver and Slater 1990; Pearce, Robbins, and Robinson 1987).

## RESULTS

The MKTORN and SERVQUAL scales were examined for their reliability and validity. Cronban's alphas (0.94 and 0.92 for the MKTORN and SERVQUAL scales, respectively) and Guttman's split-half reliability coefficients (0.93 and 0.90, respectively) were satisfactory for both scales. Factor analysis was performed on the MKTORN and SERVQUAL scales to examine their consistency with previous studies. The oblique-rotated factor patterns of the overall are generally congruent with the four- (MKTORN) and five-component (SERVQUAL) structures of the original scales. In addition, strong correlations among the theoretical components indicated a converging validity. Convergent validity was also supported by an exploratory one-factor analysis for each scale in which 51% and 43% of the variances were explained by a single factor for the

MKTORN scale and the SERVQUAL scale, respectively. The one-factor solutions of the MKTORN and SERVQUAL scales were in line with findings in related literature (e.g., Narver and Slater 1990; Cronin and Taylor 1992). Both the MKTORN and SERVQUAL scales are accepted as one-dimensional, multi-component constructs.

### Test of Hypotheses

A linear regression model was performed for each of the first three hypotheses (Models 1, 2 and 3 in the Table). All three hypotheses are supported: a statistically significant relationship between market orientation and service quality (0.01 level; Model 1), a positive relationship between service quality and business profitability (0.01 level; Model 2), and a positive of market orientation on profitability effect (0.01 level; Model 3). In all tests, industry, firm, and respondents factors were included as covariates. Among them, only market size showed a positive significant effect in Model 1 ( $p < 0.10$ ) and Model 3 ( $p < 0.05$ ).

To support Hypothesis 4, that quality is a mediator of the market orientation-profitability relationship, a test showing that market orientation affects business profitability via quality is necessary. Baron and Kenny (1986) propose a statistical test procedure for mediation and maintain that one needs to examine three linear regression models to support a mediation effect: (a) quality (mediator) on market orientation, (b) profitability on market orientation, and (c) profitability on market orientation and quality.

And to establish mediation, four conditions must all hold: market orientation must affect quality in (a), market orientation must affect profitability in (b), quality must affect profitability in (c), and the effect of market orientation on profitability must be less in (c) than in (b).

The results of the regression analysis for (a), (b), and (c) are reported in the Table (Models 1, 3 and 4

respectively). A closer examination of Models 1, 3, and 4 shows that all effects are in the hypothesized directions. Further examination of Models 3 and 4 reveals that the effect (in terms of standardized coefficient) of market orientation on profitability in (c) is materially (40%) less than that in (b) and a test of a reduced model vs. a full model, based on Model 4 with the null hypothesis that the regression coefficient of market orientation in Model 4 equal to that in Model 3, was performed. The resulted F-value of 6.20 with degrees of freedom of 1 and 108 indicated a p-value of 0.02. Hence we conclude that the beta coefficient of market orientation in Model 3 is significantly greater than that in Model 4. Therefore, the mediation effect of quality is supported. However, such a mediation effect is not perfect because market orientation still has a significantly positive effect on profitability in (c) and the addition of market orientation contributes a significant 0.071 to R-square value as indicated by an F-test (Model 3 vs. Model 4; F-value=13.94, p-value < 0.01). Above all, the contention that quality is a mediator of the market orientation-profitability relationship is supported.

### DISCUSSION

The present study successfully replicates the positive market orientation-profitability relationship. The hypothesized market orientation-quality and quality-profitability relationships are also supported. The test of the mediating effect of quality in the market orientation-profitability relationship provides a clearer picture on how the three important marketing constructs are linked.

Further examination of the results revealed that the addition of market orientation to the model only contributed 0.071, an 18.8% increase, to the R-Square value (Model 3 versus Model 4). Given that there are other potential mediators unaccounted for, the true direct effect of market orientation on profitability may be even smaller. This illustrates the importance of the identification of mediating variables.

---

### REFERENCES

- Baron, Reuben M. and David A. Kenny (1986), "The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual Strategic, and Statistical Considerations," *Journal of Personality and Social Psychology*, 51, 1173-82.
- Brown, Stephen W. and Teresa A. Swartz (1989), "A Gap Analysis of Professional Service Quality," *Journal of Marketing*, 53(April), 92-8.

- Buzzell, Robert D. and Bradley T. Gale (1987), *The PIMS Principles: Linking Strategy to Performance*, New York: The Free Press.
- Cronin, J. Joseph, Jr. and Steven A. Taylor (1992), "Measuring Service Quality: A Re-examination and Extension," *Journal of Marketing*, 56(July), 55-68.
- Dess, G. G. and Richard B. Robinson, Jr. (1984), "Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-held Firm and Conglomerate Business Unit," *Strategic Management Journal*, 5(July-September), 265-73.
- Garvin, David A. (1984), "What Does 'Product Quality' Really Mean?" *Sloan Management Review*, (Fall), 25-43.
- Houston, Franklin S. (1986), "The Marketing Concept: What It Is and What It Is Not," *Journal of Marketing*, 50(April), 81-87.
- Jaworski, Bernard J. and Ajay K. Kohli (1993), "Market Orientation: Antecedents and Consequences," *Journal of Marketing*, 57(July), 53-70.
- Kohli, Ajay K. and Bernard J. Jaworski (1990), "Market Orientation: The Construct, Research Propositions, and Managerial Implications," *Journal of Marketing*, 54(April), 1-18.
- Levitt, Theodore (1969), *The Marketing Mode*, New York: McGraw-Hill Book Company.
- Narver, John C. and Stanley F. Slater (1990), "The Effect of a Market Orientation on Business Profitability," *Journal of Marketing*, 55(October), 20-35.
- Parasuraman, A., Valarie Zeithaml, and Leonard Berry (1988), "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality," *Journal of Retailing*, 64(Spring), 12-40.
- Pearce, J. A., D. K. Robbins, and R. B. Robinson (1987), "The Impact of Grand Strategy and Planning Formality on Financial Performance," *Strategic Management Journal*, 8(March-April), 125-35.
- Phillips, Lynn W., Dae R. Chang, and Robert D. Buzzell (1983), "Product Quality, Cost Position and Business Performance: A Test of Some Key Hypotheses," *Journal of Marketing*, 47(Spring), 26-43.
- Rust, Roland T., Anthony J. Zahorik, and Timothy L. Keiningham (1995), "Return on Quality (ROQ): Making Service Quality Financially Accountable," *Journal of Marketing*, 59(April), 58-70.
- Zeithaml, Valarie A., A. Parasuraman, and Leonard L. Berry (1990), *Delivering Quality Service*, New York: The Free Press.
- \_\_\_\_\_, Leonard L. Berry, and A. Parasuraman (1996), "The Behavioral Consequences of Service Quality," *Journal of Marketing*, 60(April), 31-46.

# ADVERTISING COSTS AND HEALTH CARE

Peter B. Shaffer, Western Illinois University

## ABSTRACT

*This article deals with Federal reimbursement of advertising cost for health care providers. Federal guidelines, as determined by the Federal Health Care Financing Administration (HCFA) do not allow for reimbursement of advertising costs which seek to increase patient utilization; but there appears to be a very gray area as to what costs are allowable and for the different categories of health care providers how the guidelines apply.*

*While this article attempts to describe the current state of this situation, it also recognizes the changes and new directions in which this area of government regulation (and payments) will be shifting.*

The genesis of this paper was my wife's comment to the effect that "health care providers which receive Medicare funding could not advertise." While it turned out that she was not quite correct, her statements spurred me to research the relationship between health care providers and those who regulate their reimbursements as regards advertising expenses. It turns out to be both quite interesting and confusing.

Advertising costs ARE reimbursable for hospitals, HMO's, nursing homes and home health care agencies (HHA's), but the determination of which costs is a very gray area, to say the least. Basically, the decisions as to what advertising costs are or are not reimbursable under Medicare are made by the "intermediaries," for example, Blue Cross/Blue Shield. Their decisions are supposed to be based upon the guidelines provided by the Health Care Financing Administration (HCFA). HCFA publishes what's called a Provider's Reimbursement Manual (PRM) and section 2136 is the relevant section for advertising costs. The following is its entire two and a half page documentation.

### PROVIDERS REIMBURSEMENT MANUAL

#### **"PRIMI 2136. Advertising Costs-general –**

The allowability of advertising costs depends on whether they are appropriate and helpful in developing, maintaining, and furnishing covered services to Medicare beneficiaries by providers of services. In determining the allowability of these costs, the intermediary should consider the facts and circumstances of each provider situation as well as the amounts which would ordinarily be paid for comparable services by comparable institutions. To be allowable, such costs must be common and accepted occurrences in the field of the

provider's activity.

#### **"PRIMI 2136.1 Allowable Advertising Costs**

– Advertising costs incurred in connection with the provider's public relations activities are allowable if the advertising is primarily concerned with the presentation of a good public image and directly or indirectly related to patient care. Examples are: visiting hours information, conduct of management-employee relations, etc. Costs connected with fund-raising are not included in this category (see Sec. 2136.2).

Costs of advertising for the purpose of recruiting medical, paramedical, administrative and clerical personnel are allowable if the personnel would be involved in patient care activities or in the development and maintenance of the facility.

Costs of advertising for procurement of items or services related to patient care, and for sale or disposition of surplus or scrap material are treated as adjustments of the purchase or selling price.

Costs of advertising incurred in connection with obtaining bids for construction or renovation of the provider's facilities should be included in the capitalized cost of the asset (see Chapter I, Sec. 104.10).

Costs of advertising incurred in connection with bond issues for which the proceeds are designated for purposes related to patient care, i.e., construction of new facilities or improvements to existing facilities, should be included in "bond expenses" and prorated over the life of the bonds.

Costs of activities involving professional

contacts with physicians, hospitals, public health agencies, nurses' associations, State and county medical societies, and similar groups and institutions, to apprise them of the availability of the provider's covered services are allowable. Such contacts make known what facilities are available to persons who require such information in providing for patient care, and serve other purposes related to patient care, e.g., exchange of medical information on patients in the provider's facility, administrative and medical policy, utilization review, etc. Similarly, reasonable production and distribution costs of informational materials to professional groups and associations, such as those listed above, are allowable if the materials primarily refer to the provider's operations or contain data on the number and types of patients served. Such materials should contribute to an understanding of the role and function of the facility as a provider of covered health care in the community.

Costs of informational listing of providers in a telephone directory, including the "yellow pages," or in a directory of similar facilities in a given area are allowable if the listings are consistent with practices that are common and accepted in the industry.

Costs of advertising for any purpose not specified above or not excluded below may be allowable if they are related to patient care and are reasonable.

#### **PRMI 2136.2 Unallowable Advertising Costs**

– Costs of fund-raising, including advertising, promotional, or publicity costs incurred for such a purpose are not allowable.

Costs of advertising of a general nature designed to invite physicians to utilize a provider's facilities in their capacity as independent practitioners are not allowable. See section 2136.1 for allowability of professional contact costs and costs of advertising for the purpose of recruiting physicians as members of the provider's salaried staff.

Costs of advertising incurred in connection with the issuance of a provider's own stock, or the sale of stock held by the provider in another corporation, are considered as reductions in the proceeds from the sale and, therefore, are not allowable.

Costs of advertising to the general public which seeks to increase patient utilization of the provider's facilities are not allowable. Situations may occur where advertising which appears to be in the nature of the

provider's public relations activity is, in fact, an effort to attract more patients. An analysis by the intermediary of the advertising copy and its distribution may then be necessary to determine the specific objective. While it is the policy of the Health Care Financing Administration and other Federal agencies to promote the growth and expansion of needed provider facilities, general advertising to promote an increase in the patient utilization of services is not properly related to the care of patients. (HCFA Publications and Guidelines 1995; HCFA Publications and Guidelines PRM 1:2136.1 and 236.2)

It is theoretically, these two sections of 2136 which guide the intermediaries in their decisions as advertising expenditures are or are not reimbursable under Medicare. However, it becomes much more complicated as one explores the process and its administration.

The providers of health care fall into different categories and appear to be treated differently as regards Medicare. Most hospitals are compensated on the basis of what are termed DRG's (Diagnostic Related Groups). For example, if a provider had a patient for gall bladder surgery, based upon which county that provider is in, the reimbursable is \$XXXX. Whether the patient is hospitalized for four days or 10 days, the reimbursement is the same. Therefore, what profit (or loss) the provider sustains is based solely upon the DRG. The determination of DRG payments is an extremely complicated process. As of now, payments are adjusted based upon a number of factors, including:

- wage levels in the region
- urban versus rural settings
- non-labor related costs
- "disproportionate share adjustments (i.e., the number of public aid patients)

Shown below is an example of how hospital payments are determined:

#### **CALCULATION OF A HOSPITAL'S PAYMENT**

The actual payment a hospital received for a given discharge is determined by multiplying the wage adjusted standardized amount by the DRG relative weight, further adjusted by any applicable adjustment factor for disproportionate share or indirect teaching. For example, payment for DRG 127, Heart Failure and Shock for a patient at a hospital in Baltimore with an indirect teaching adjustment of 0.195 and a disproportionate share adjustment of 0.116 would be calculated as follows

(HCPA Publication: BDP OHP):

Labor-related share of large urban standardized amount		\$2,782.84
Wage index value for Baltimore MSA	X	0.9798
Wage adjusted labor-related share	=	\$2,726.63
Nonlabor-related share of large urban standardized amount	+	\$1,125.84
Wage-adjusted standardized amount	=	\$3,852.47
Relative weight for DRG 127	X	1.0265
Payment rate	=	\$3,954.56
Indirect medical education adjustment ( $\$3,954.46 \times 0.195$ )	+	771.14
Disproportionate share adjustment ( $\$3,954.56 \times 0.116$ )	+	458.73
Total PPS operating payment	=	\$5,184.43

Now, one might ask, what does that have to do with advertising costs? In theory, nothing, but in practice, quite a bit. The healthcare provider is required to submit cost reports which include public relations and advertising expenditures. If these expenditures might be viewed as attempts to "increase patient utilization" they would not be reimbursable and would reduce the payments to the provider. For a hospital, being compensated based upon DRG's, this really doesn't pose a problem. But, for a nursing home or HHA, it clearly could. Most of the latter type of healthcare providers subsume advertising costs under "administrative expenses" with the common expectation that no one will question those costs. Based upon numerous conversations with over twenty HCFA administrators, I can safely state that only about 1 (one)% of reimbursements are audited. In my discussions with a variety of healthcare professionals at the Federal level I have become convinced that there is too little being allocated to the auditing process and that the following quote from the Chicago Tribune requires the public's attention.

### MEDICARE AUDIT

"In the first comprehensive audit of Medicare, federal investigators said Wednesday that the government overpaid hospitals, doctors and other health care providers last year by \$23 billion, or 14 percent of all the money spent in the standard Medicare program.

The books and records of the Medicare agency and its contractors were in such disarray that they could not be thoroughly audited, said June Gibbs Brown, inspector general of the Department of Health and Human Services. She said there was no way to tell how much of the overpayment resulted from fraud.

The estimate of improper payments, based on an

exhaustive review of a sample of actual claims, is substantially higher than prior estimates by health policy experts. It tends to confirm the suspicions of elderly people who say their Medicare bills are riddled with errors.

In her report, the inspector general said: "We estimate that during fiscal year 1996 net overpayments totaled about \$23.2 billion nationwide, or about 14 percent of total Medicare fee-for-service benefit payments. These improper payments could range from inadvertent mistakes to outright fraud and abuse. We cannot quantify what portion of the error rate is attributable to fraud."

The report said the government had no reliable way to prevent or detect improper Medicare payments, and no reliable estimate of what it might owe on unpaid claims for services already provided. Auditors found a \$4.5 billion "computation error" in the agency's estimate of unpaid claims. They found that contractors sometimes mixed up Medicare's two trust funds, for hospital care and doctors' services. Other contractors confused amounts owed to the government with amounts owed by the government. The contractors, typically private insurance companies, review claims and pay bills for Medicare.

Medicare officials acknowledged that the government made substantial erroneous payments, but they said they did not get credit for all the proper, accurate, timely payments they made.

Melissa Skofield, a spokeswoman for the Department of Health and Human Services, said: "This is the first comprehensive audit of Medicare's financial statements that we've ever had. It's a useful road map in our efforts to improve the integrity of the Medicare program."



H. Christopher Peacock, a spokesman for the Medicare agency, said, "We are preparing an action plan to deal with the recommendations" (Chicago Tribune, 1997).

### ADVERTISING COSTS

While it may or may not be apparent to the casual observer, whatever plan HCFA develops will need to deal with various different types of health care providers and will need to be consistent. The current playing field is not a level one.

To return to the gist of this paper, i.e., advertising costs, there appear to be many areas where the government regulations are observed more in the breach than the observance.

- The intermediary considers "the facts and circumstances of each provider." What does that mean?
- According to 2136, what makes for a "comparable institution?"
- What might be "common and accepted occurrences" for a given provider?
- Most importantly, when provider A follows 2136 to the letter and provider B stretches or perhaps even violates the regulation, what happens? Who notices? Who cares?

No one who has a television, takes a newspaper or has a copy of the yellow pages would not possibly believe that there are health care providers who spend money on advertising not trying to increase patient utilization.

The general tone of these guidelines obviously allows for considerable latitude in their interpretation. But, what appears to be the most curious aspect of these regulations is that if you are a large provider with a big budget and many patients, you could spend a lot on advertising. If you are a small provider, you could only spend what other small, similar providers spend. This seems very much like telling Coor's Brewery they can advertise at the same level as Pabst, but not at the level of Miller or A-B! In a telephone discussion with an HCFA

administrator I posed that exact example and was told "that pretty much" was the reality.

### SUMMARY

In summary, what health care industry regulators or intermediaries or providers may view as reimbursable costs of advertising cannot be precisely defined. Guidelines seem to vary by county, by state and by region. Probably the most definitive guideline I uncovered came from a spokesman for PRRB who described an allowable yellow pages listing as being "about the size of a dollar bill." But, given the relatively high cost of yellow pages ads, would a provider buy such an ad if it WAS NOT to increase patient utilization? It is my conclusion that health care industry regulators are willing to accept advertising costs as a legitimate expense for providers, but seem not to have an adequate mechanism for determining just what and how.

As of August, 1997, HCFA is revising its guidelines and regulations in a number of areas, including advertising. These revisions are not as of now available. It seems reasonable to expect that a more precise description of what advertising costs are or are not allowable will be forthcoming. At any rate, even these new guidelines will not, according to my interviews, result in consistent and equal treatment of the different types of health care providers. Increasingly, hospitals are providing home health care services, in fact, the majority do. However, private or free-standing home health care agencies are not viewed in the same light, not treated in the same way even though they might be, as they compete, "comparable institutions." The new guidelines offer an area for future research as to what advertising and what advertising costs will be reimbursable in the future.

#### HCFA Publication and Guidelines

- Guidelines for Point of Service, 6, Oct. 1995
- Publication 15, Provider's Reimbursement Manual, PRM1:2136.1 and 2136.2

HCFA Publication: BDP OHP "Core Elements of a PPS Payment"

---

## REFERENCES

- Chicago Tribune (1997) "Medicare Audit Spotlights Chaos," (17 July), Sect. 1, 3
- HCFA Publications and Guidelines, (1995) "Guidelines for Point of Service, (Oct. 6)
- HCFA Publications and Guidelines, Publication I5, Provider's Reimbursement Manual, PRM 1:2136.1 and 236.2
- HCFA Publication: BDP OHP "Core Elements of a PPS Payment"

---

## SOURCES

- Bailey, Gary, Director, Health Plan Purchasing and Administrative Group
- Brown, Druceilla, HCFA
- Brown, June Gibbs, Health and Human Services (HHS)
- Chapell, Dorsey, HCFA
- Conrad, Carol, Simone Health Care Consultants
- Cavanaugh, Gary, HCFA
- Culatta, Tony, HCFA
- Eisenberg, Christopher, HCFA
- Eppinger, John, HCFA
- Gill, Will, HCFA
- Kidel, Glen, HCFA
- Kues, Irvin, PRRB
- Min DeParoe, Nancy-Ann, HCFA
- Musgrave, Dortha, HCFA
- Schaer, Joel, HCFA
- Scully-Hayes, Kathy, PRRB
- Shaffer, Jeanne, HHA, Monmouth, IL
- Sheagren, Craig, McDonough County Hospital
- Sheagren, Kathy, McDonough County Hospital
- Sobocinski, Paul, Chicago, HCFA
- Taylor, Ronnie, Blue Cross/Blue Shield
- Tirada, Gary, San Francisco, HCFA
- Tirone, Anthony, HCFA
- Weisberg, Betty, HCFA
- Whooley, Gene, HCFA

---

## PANEL SESSION

# SHAKING THE MONEY TREE IN TIMES OF DROUGHT: HAVE YOU THOUGHT ABOUT A GSE TEAM MEMBERSHIP?

*Frederick B. Hoyt, Illinois Wesleyan University*

---

I wanted to spend my sabbatical doing what I've urged my students to do--work and live globally--so that I could be better prepared to teach them. In these "times of drought," I sought an internship that would, at a minimum, pay my way overseas. What I secured was something, in some ways, far better--a month long stay in Korea that was a smorgasbord of experiences--as a guest of Rotary International. One of my colleagues alerted me to the program, where a Rotary district selects team

members for a Group Study Exchange (GSE) with another country. Only the team leader can be a Rotarian. The other team members (usually four) must be non-Rotarians. I applied for the team, was interviewed and selected. We had the opportunity to visit businesses, schools, organizations, as well as having some input into our site visits. Thus, because I was on sabbatical and had a month I could go to Asia, I was able to gain a view of Korea that few foreigners obtain.

---

Frederick B. Hoyt, Illinois Wesleyan University, Bloomington IL 61702

# PERCEIVED RISK AS A DETERMINANT OF PERCEIVED VALUE

Ronald Socha, Southern Illinois University-Carbondale

---

## ABSTRACT

*The value that the consumer perceives that a service or product has is hypothesized to be a function of many variables including its quality, price, and perceived risk of purchase and use by the consumer. It is the objective of this paper to provide an overview of the topic of perceived value and present some current ideas and perspectives on its relationship to other major variables including quality, price and perceived risk. A recommended model to guide further research involving perceived risk and perceived value is presented along with several propositions concerning these variables.*

---

## INTRODUCTION

Among the different definitions of value are those by Holbrook and Corfman(1984) who define value as:

...an interactive relativistic preference or, more formally, as a relativistic(comparative, personal, situational) preference characterizing a subject's experience of interacting with some object.

Sinden and Worell( 1979) have developed a more general definition of value which is :

value of something = utility from its use - disutility of obtaining and using it

Dodds, Monroe, and Grewal(1991) offered a similar definition of value, but one that is based more on behavioral considerations. They state that "the cognitive tradeoff between perceptions of quality and sacrifice results in perceptions of value".

Several authors have developed models incorporating the concept of value, or more explicitly, perceived value. Monroe and Krishnan (1985) developed a model which linked perceptions of quality, price and sacrifice to perceived value, which was then linked to purchase via the concept of willingness to buy. Zeithaml (1988), building on the work of Monroe and Krishnan (1985) and Dodds and Monroe (1985), developed a more comprehensive model which included high level abstractions and extrinsic and intrinsic attributes. And Dodds(1991), based on a series of research projects that he conducted, stated that

"perceived value is a link between the cognitive attitudes of perceived quality and perceived monetary sacrifice and the behavioral intention to buy". He represented the relationships of perceived sacrifice, perceived quality and perceived value as non - linear in relationship to price. He also concluded that the " acceptable price range is not static but changes through a variety of environmental stimuli, including changing perceptions of price and store name".

Baker (1990) developed a variant of the Zeithaml (1988) model to reflect the impact of the physical environment (i.e. the retail store) on perceived quality, price and value. Based on her research using this model she found that :

as hypothesized, service quality was positively related, and sacrifice negatively related, to value, and value was significantly related to willingness to buy... thus the essence of Zeithaml's model was supported.

Bolton and Drew ( 1991) developed a model based on previous research studies to explain similar types of relationships within a service industry. The foundation for their model was the work done by Zeithaml ( 1988) and by Parasuraman et. al. (1985,1988). They concluded that " if perceived service value is analogous to the concept of perceived value, then Zeithaml's work suggests that service value can be considered to involve a trade - off between a customer's evaluations of benefits of using a service and its cost (both monetary and nonmonetary)". Their model is slightly different from those presented above, in that it also specifically includes customer characteristics as an element. Rust et. al (1994) present an approach that

includes relating improvements in service quality ( as measured by customer satisfaction using surveys customized to the industry) to increase in financial returns to the corporation. Initial data from the study of a hotel has shown a curvilinear relationship between dollars spent to improve the service effort and the percent of total customers disappointed with the service effort.

Mazumdar (1993) approached the concept of value from the orientation of new product introductions, developing a model which builds on the work cited above. This model explicitly incorporates the factor of consumer characteristics as a variable in the decision making process as well as non - price post purchase costs. He also introduced the concept of respondents making evaluations using as a referent an existing products or products.

The complexity of studying this area is further evidenced by the results found by Lichtenstein and Burton (1989). They concluded that there were at least four distinct clusters of consumer groups when it came to price - quality perceptions.

### **THE ROLE OF PERCEIVED RISK**

Bauer (1960) contended that:

consumer behavior involves risk in the sense that any action of a consumer will produce consequences which he cannot anticipate with anything approaching certainty, and some of which at least are likely to be unpleasant.

There are several types of risk that have been identified and studied in the literature. These include physical , functional, social, psychological, and financial risks (Jacoby and Kaplan, 1972). These authors contended that "on a conceptual level, these five dimensions can be considered functionally independent so that as one risk variety increase, the other risk varieties can either increase, decrease, or remain unaffected". They conducted research using twelve products ranging from playing cards to sports cars using measures of the five risks as well as an Overall Perceived Risk(OPR) measure. One of their findings was that:

while there seems to be a monotonic relationship between actual price and perceived financial risk, it appears to be curvilinear. At the extreme upper end of the price continuum( foreign sports cars and life insurance) actual dollar value is less

important than is relative cost.

This curvilinear finding is interesting when considered in light of the curvilinear relationships discussed previously with quality and price.

Jacoby and Kaplan (1972) also found " that from 40% to nearly 70% of the variance associated with the OPR ratings can be accounted for by the five putative varieties of perceived risk outlined here". Taking the twelve products as a group, the correlations between the five risks with the OPR ranged from .552 for physical risk to .654 for performance. More significantly, the correlations of the five types of risks with the OPR varied significantly within the twelve products, For instance, financial risk correlated .567 with OPR for life insurance while it was only .312 for aspirin. These results indicate that the use of a single overall measure of risk is inadequate and that each of the five types of risks needs to be considered separately in evaluating the buying decision.

Using the same five risks and twelve products, Kaplan (1974) found that the five types of risks accounted for 74 percent of the variance in the perceived risk of twelve products. Again, as found in the earlier work by Jacoby and Kaplan (1972) the amount of risk associated with the various products studied varied tremendously with basically no risk associated with the purchase of the playing cards to a great deal of risk associated with the purchase of the sports car. The finding of the Kaplan study also clearly showed that the level of each of the five different types of risks could vary significantly for the same product. For example, the social risk in the purchase of a suit was 7.13 while the physical risk associated with the purchase of the suit was only 1.93. In essence, it is necessary to identify the type of risk or risks associated with a product and not speak only in terms of a general concept of risk. For some products risks are not a major factor while for others it can be.

It should be noted that the possibility of a sixth variety of risk was identified by Roselius (1971). Time loss or time risk is "when some products fail, we waste time, convenience, and effort getting it adjusted, repaired or replaced". Although not specifically discussed, there is the possibility of a very significant time risk for some services, especially health care services. If an operation is not done properly, there may be a considerable time loss involved in going back for corrective surgery because of the time needed to heal from the second operation. In addition to incurring

physical risk because of the second operation, there may be additional substantial costs for the operation as well as significant losses in earning income because of time away from a job.

Onkvisit and Shaw (1994) reviewed several articles that have looked at the concept of innovativeness and innovators along with risk. Summarizing the finding of Lambert (1972a) they state that "innovators of eight diverse products were less likely than noninnovators to see uncertainty in buying the product in question or to be concerned with negative consequences such as disapproval of others or poor value received for price paid". Their summary of Schiffman(1972) was that "adopters of a new salt substitute were less likely to visualize a taste or health risk than nonadopters". Similarly they noted that Robertson and Kennedy (1968) "found that venturesomeness or the willingness to take risks accounted for as much as 35 percent of the differences between innovators and noninnovators of a new telephone product" and that Goldsmith (1987) found "innovativeness to be positively correlated to not only creativity but also sensation seeking, risk taking, and self esteem".

Much of the research on perceived risk has occurred in the products sector. However, the concept may even be more significant in the services sector. As Murray(1991) has stated:

The role of risk in the consumption of services has been addressed both conceptually ( e.g. , Eigler and Langeard, 1977; Zeithaml, 1981) and empirically ( e.g. Brown and Fern, 1981; Davis, Guiltianan, and Jones, 1979; George, Weinberger and Kelly, 1985; Guseman, 1981; Murray and Schlacter, 1990), with theory and evidence suggesting that services are perceived to be riskier than goods.

Turley and LeBlanc (1993) conducted a survey to evaluate risk as related to the purchase of services, with six types of risks being evaluated ( social, quality, physical, time, psychological and financial). The authors found that "the results across all eight services indicate that risk is actually composed of only four dimensions". No points were allocated by the respondents to the time or psychological risks. These authors concluded that:

The findings from this sample of respondents indicate that the decision matrix for services is different from those associated with either durable or nondurable goods.

Before concluding definitively that there seems

to be a difference in the risk structure of services vs. goods (i.e. four risks vs. six) , it should be noted that the authors also point out that "the allocation of weightings may vary when other services, such as health care or accounting services, are considered... when consumers say they perceive risk in service purchases, they apparently mean different types of risk for different services".

It should be noted that Murray and Schlacter ( 1990) evaluated six types of risks and overall risk and whether they differ in importance between goods and services. They found that the risk structure for services did include six types of risks for the consumers and services studied. Specifically, they found that overall risk, social risk, convenience risk, physical risk and psychological risk are perceived as being higher for services than for goods but that there was no difference for difference risk and performance risk.

Ostrom and Iacobucci (1995) investigated the role of several variables, including risk, in the determination of the value of services and intentions to purchase both credence and experience services. The authors concluded that:

Specifically, as risk increases consumers may seek benefits (such as high quality, friendly service providers, and customized service attention), whereas in situations of relatively less risk, consumers may seek competitive costs.

What is the relationship, if any between risk and the other factors that can enter into the purchase valuation and purchase intention equation? Dowling and Staelin (1994) addressed this question specifically:

The specific antecedents for both components of overall perceived risk vary from situation to situation. However, factors that immediately come to mind are (a) the levels of the attributes of the specific product considered ( e.g. the product's price, quality rating, etc.), (b) the likelihood of "failure" that leads to negative consequences, (c) the individual's purchase goals ( e.g. use for self or as a gift, and (d) other conditions associated with the specific purchase situation...

Furthermore, it may be necessary to include considerations of the consumer characteristics e.g. income and innovativeness when attempting to assess the perceived value of a product or service. Peter and Ryan (1976) concluded that the "amount and type of perceived risk present in purchasing decisions does differ among individuals". The continued sale of higher priced brand name aspirin products along with the sale of lower priced generic aspirin products appears to

attest to the fact that even for the same product there are different levels of perceived risk by different consumers. The purchase of a relatively low priced item such as aspirin, because of the potential for physical risk if the product does not perform adequately, may result in both risk and quality having a greater impact on the perceived value of the product and price having less of an impact for some customers than for others. For example, if the consumer perceives that there is a high risk associated with use of the service, the perceived value of that service may be impacted considerably more by the perception of quality than for a product with a low perceived risk of using.

Bauer (1960), in his seminal piece on risk, was also cognizant of the potential role of consumer characteristics:

...it is worthwhile to think of the fact that the middle - class person has both a greater possibility of planning and a greater reason to plan. He has more of an investment in career, reputation, and accumulated property to risk if he gets into serious financial difficulty. The lower - class person has less to risk in terms of such long run investments. Perhaps more pertinently it is more difficult for him to calculate the consequences of his actions because among other things he is likely to have less information. He is also less likely to have time for deliberation, because as Katona and Mueller found with respect to durable goods, people of lower income are more likely to make a purchase in a situation where the product to be replaced has already broken down.

Several researchers have explored the relationships between some or all of these variables. Olshavsky, Aylesworth and Kempf ( 1995) concluded that:

Moreover, as previously stated, the price-choice relationship is further complicated by each consumer's idiosyncratic perception of perceived benefits, perceived sacrifices, and perceived value.

To this list may be added perceived risks. As stated previously, the perception of risk can vary based on factors such as age, income, and innovativeness. Therefore, it is possible different groups of subjects would define the risks that these products are construed to have in an entirely different fashion. It is even possible that different members of the sample would not perceive the risks levels as being the same for these products as would other members of the sample.

Lambert (1972b) conducted a study of seven widely marketed items ranging from suntan lotion to a

stereo phonograph. Concerning the risk associated with the purchase of an item and the price of the item that the respondent selected, he found that:

The analysis revealed considerable evidence ( for every product) that those selecting the high- priced alternative envision more severe consequences from the purchase of an unsatisfactory item. The differences were significant at the .10 level or less for all but tape recorders and luggage. Thus perceived risk in this form may influence the price level chosen.

The findings presented above concerning individual differences in the perception of risks suggests that there is a need to evaluate each of the six types of risks individually and for different consumer segments instead of using a singular measure of risk. It also suggests that a model of perceived value would benefit from the inclusion of direct considerations of perceived risk along with perceptions of perceived quality and perceived price.

Several authors have made initial efforts to include perceived risk in their studies along with perceived quality and perceived price. Bearden and Shimp (1982) utilized a model (Figure 1) similar to those discussed previously as part of a research project focusing on price, reputation, warranty quality and perceived risk in determining affect toward a product. A sample for a consumer panel was used to study automobile tires and a piece of exercise equipment.

They measured performance risk (using three scales) and financial risk (using two scales). These five measures were combined into one factor which they called perceived risk. Affect was also a multidimensional concept consisting of three measures of attitude toward the object, two measures of attitude toward the act of purchasing and of using the product and two measures of behavioral intention to purchase the item. The quality measures were specifically related to the quality of the warranty and not the quality of the product. As stated, the model is similar to, but not exactly the same as those discussed previously. Instead of product quality, warranty quality is used. Instead of perceived value, affect is used. Instead of purchase intention being a stand alone it is combined under the term behavior intention with affect. They did find that :

The direct paths between risk and respondents perceptions of the company's reputation, warranty quality, and price are also significant.

Perceived risk is in turn directly related to subjects affect for the new product concept. The insignificant paths from the three intervening endogenous constructs (perceived reputation, perceived warranty quality, and perceived price) to the affect construct indicates that overall product evaluations were mediated by risk perceptions.

As stated previously, these authors included perceived risk in their model as a composite of the five risk measures. When they analyzed their data for tires using risk constructs i.e. performance (with the three measures and financial (with two measures) they found "only modest improvement from allowing multiple dimensions of risk delineated by performance and financial distinctions". However, for the exercise equipment they obtained a different result.

...the jogger results, however, are inconsistent with the previously described tire results. In this case, some improvement is noted in the chi-square statistic from allowing multiple factors.

This finding needs to be factored into any future research, especially that which might be done for services which are perceived to have higher risks in general as discussed previously.

Erevelles (1993) also conducted a study looking at warranty perceptions, risk, price perceptions, attitude toward the product and purchase intentions. He obtained two measures of consumer's perceived risk associated with product purchase; the measures used were not specified in his article. His findings were that risk perceptions were found to affect purchase intention and product attitude as well as to serve as an intervening variable between price perceptions and warranty perceptions.

Based on the review of the material presented above, the inclusion of perceived risk in a "perceived value" model seems judicious and warranted. Many studies have shown that there is a direct relationship between perceived risk and a variety of behavioral factors including attitude, affect, value, purchase intention and behavioral attention. Perceived risk has also been shown to be a significant mediating variable between these variables and warranty quality, perceived price, perceived reputation, and warranty perceptions.

## RECOMMENDATION FOR FUTURE RESEARCH

Based on the findings presented above, it is advocated that future research on perceived value include specific measurements of perceived risk and that these risk factors be studied individually instead of as an "overall measure of risk". A specific approach that incorporates this recommendation as well as suggesting the linkages between perceived quality, price, risk and value is illustrated in Figure 2.

The key feature of this approach that differentiates it from those reviewed is that perceived risk is not considered as a composite measure but as six separate measures. It is believed that specifically addressing the six types of risks will provide the researcher with a better understanding of the process leading to purchase intention as well as provide practitioners with a better understanding of the specific concerns of the consumer that need to be addressed in their marketing plans.

Several propositions that relate directly to the recommended approach as well as to other topics discussed in this paper are presented below. These are offered for the readers consideration and as possible areas for future research that can add to the body of knowledge concerning the topic of perceived risk.

P1: A model including perceived risk is a better indicator of perceived value and purchase intention than one without it.

P2: Using multiple stand alone perceived risk measures enhances a perceived value model more than using a composite measure of perceived risk.

P3: Perceived risk measures will play a more important role in predicting perceived value for services than for goods.

P4: Perceived risk measures will play a more important role in predicting perceived value for credence services than for experience services

P5: The importance of perceived price, quality and risk will vary depending upon the respondents familiarity with the good or service.

P6: The importance of perceived price, quality and risk for a respondent will vary depending upon the respondents demographics.

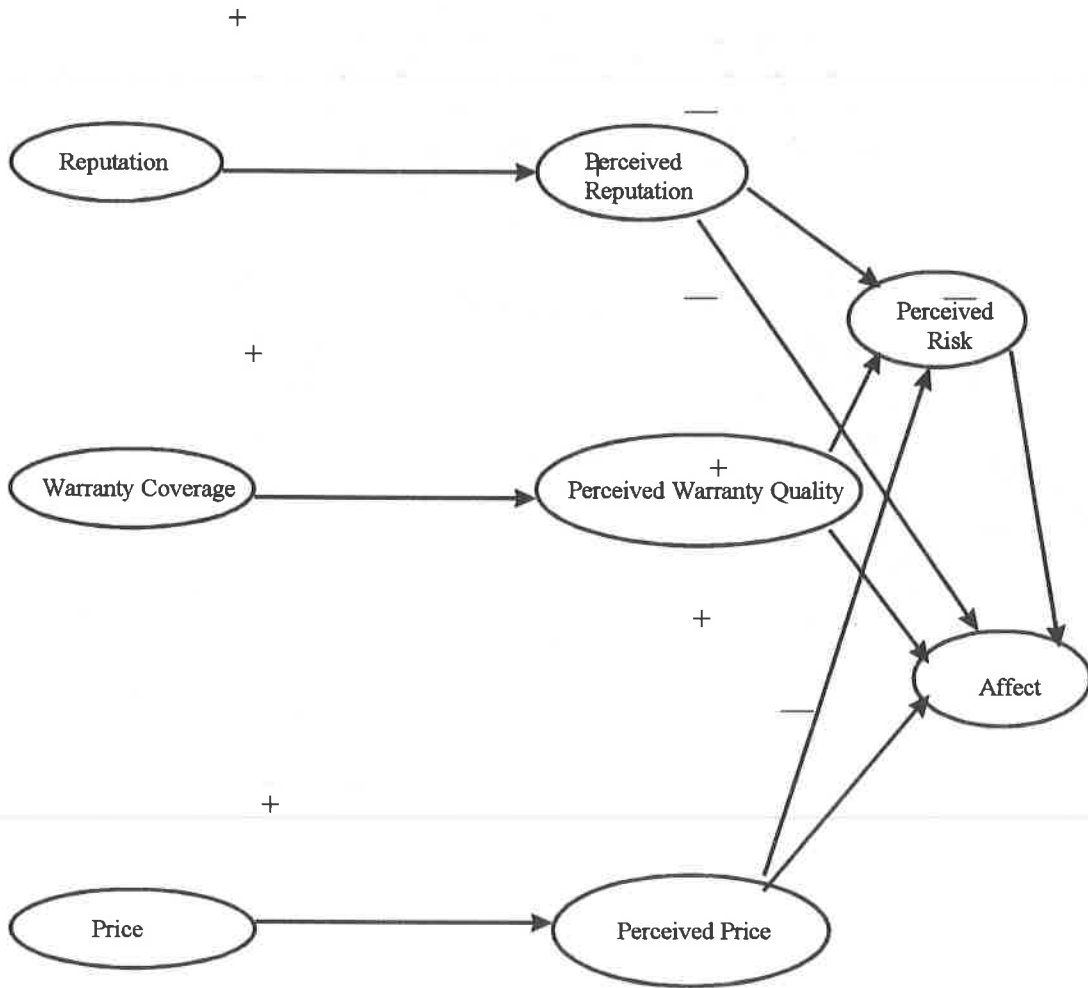


**FIGURE 1**  
**RELATIONSHIPS AMONG EXTRINSIC PRODUCT CUES AND**  
**PERCEIVED RISK AND PRODUCT AFFECT**

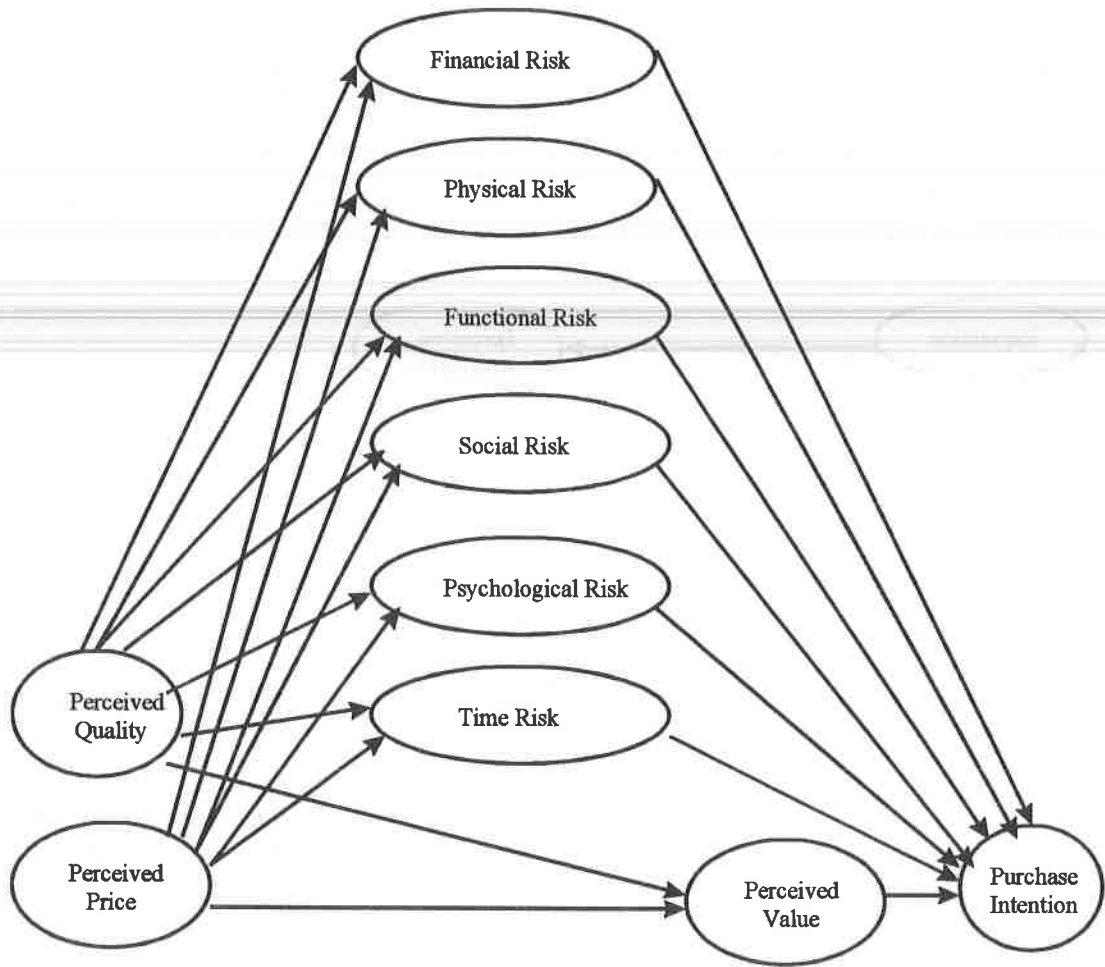
EXPERIMENTAL  
MANIPULATIONS

MANIPULATION  
CHECKS

EXPERIMENTAL  
EFFECTS



**FIGURE 2**  
**PERCEIVED RISK AND PERCEIVED VALUE**



---

## REFERENCES

- Baker, Julie (1990), *The Effects of Retail Store Environments on Consumer Perceptions of Quality, Price, and Value*, Dissertation, Texas A & M University
- Bauer, Raymond A. (1960), "Consumer Behavior as Risk Taking", *Dynamic Marketing for a Changing World*, ed. Robert S. Hancock. Chicago: American Marketing Association, 389-98
- Bearden, William, and Terence Shimp (1982), "The Use of Extrinsic Cues to Facilitate Product Adoption", *Journal of Marketing Research*, Vol. 19, (May), 229-39
- Bolton, Ruth N. and James H. Drew (1991), "A Multistage Model of Customer's Assessments of Service Quality and Value", *Journal of Consumer Research*, Vol. 17 (March), 375 - 384
- Dodds, William B. (1991), "In Search of Value: How Price and Store name Information Influence Buyers' Product Perceptions", *Journal of Consumer Marketing*, Vol. 8, No. 2 (Spring), 15 -24
- and Kent Monroe (1985), "The Effect of Brand and Price Information on Subjective Product Evaluations", in *Advances in Consumer Research*, Vol. 12, Elizabeth Hirshman and Morris Holbrook, eds. Provo, UT: Association for Consumer Research, 85 -90
- , Kent Monroe, and Dhruv Grewal (1991), "Effects of Price, Brand and Store Information on Buyer's Product Evaluations", *Journal of Marketing Research*, Vol. 29 (August), 307 - 19
- Erevelles, Sunil (1993), "The Price -Warranty Contract and Product Attitudes", *Journal of Business Research*, , Vol. 27, 171- 181
- Goldsmith, Ronald E. (1987), "Self - Monitoring and Innovativeness", *Psychological Reports*, Vol. 60 , 1017- 18
- Holbrook, Morris B. and Kim P. Corfman (1984), "Quality and Value in the Consumption Experience: Phaedrus Rides Again", in *Perceived Quality: How Consumers View Stores and Merchandise*, J. Jacoby and J. Olson, eds. Lexington , MA: Lexington Books
- Jacoby, J. and L. Kaplan (1972), " The Components of Perceived Risk", *Proceedings from Third Annual Conference*, Association for Consumer Research, University of Chicago, 382 -393
- Kaplan, Leon B. (1974), " Components of Perceived Risk in Product Purchase : A Cross - Validation", *Journal of Applied Psychology*, Vol. 59 , 287 -91
- Lambert, Zarrel V. (1972a), "Perceptual Patterns, Information Handling, and Innovativeness", *Journal of Marketing Research*, Vol. . 9 (November), 427 -31
- (1972b), "Price and Choice Behavior", *Journal of Marketing Research*, Vol. 9, (February), 35 -40
- Lichtenstein, Donald R. and Scott Burton (1989), "The Relationship Between Perceived and Objective Price- Quality", *Journal of Marketing Research*, Vol. 26, (November), 429 -43
- Mazumdar, Tridib (1993), " A Value -based Orientation to New Product Planning", *Journal of Consumer Marketing*, Vol. 10, No. 1, 28 -41
- Monroe, Kent B. and R. Krishman (1985), "The Effect of Price on Subjective Product Evaluations", In *Perceived Quality: How Consumers View Stores and Merchandise*, eds. Jacob Jacoby and Jerry Olsen. Lexington, MA: Lexington Books
- Murray, Keith B. (1991), "A Test of Services Marketing Theory: Consumer Information Acquisition Activities", *Journal of Marketing*, Vol. 55 , (January), 10 -25

- and John L. Schlacter (1990), "The Impact of Services versus Goods on Consumers' Assessment of Perceived Risk and Variability", *Journal of the Academy of Marketing Science*, Vol. 18, No. 1, 51 -65
- Olshasky, Richard W., Andrew B. Aylesworth, and DeAnna S. Kempf (1995), "The Price Choice Relationship : A Contingent Processing Approach", *Journal of Business Research*, Vol. 33 , 207-218
- Onkvisit, Sak and John Shaw (1994), *Consumer Behavior: Strategy and Analysis*. New York: Macmillan College Publishing Company
- Ostrom, Amy and Dawn Iacobucci (1995), "Consumer Trade - Offs and the Evaluation of Services", *Journal of Marketing*, Vol. 59 (January), 17 - 28
- Parasuraman, A. and Valerie A. Zeithaml (1988), "SERVQUAL: A Multiple - Item Scale for Measuring Consumer Perceptions of Service Quality", *Journal of Retailing*, Vol. 64, No. 1 (Spring) 12 -40
- , Valarie A. Zeithaml, and Leonard L. Berry (1985), "A Conceptual Model of Service Quality and its Implications for Future Research", *Journal of Marketing*, 49 (4), 41 -50
- Peter, J. Paul and Michael Ryan (1976), " An investigation of Perceived Risk at the Brand Level", *Journal of Marketing Research*, Vol. 13 (May), 184 -88
- Robertson, Thomas and James N. Kennedy (1968), " Prediction of Consumer Innovators: Application of Multiple Discriminant Analysis", *Journal of Marketing Research*, Vol. 5 (February), 64 -69
- Rust, Roland T., Anthony J. Zahorik and Timothy L. Keiningham (1994), *Return on Quality (ROQ) : Making Service Quality Financially Accountable*, Technical working Paper, report No. 94 -106. Cambridge, MA: Marketing Science Institute
- Schiffman, Leon G. (1972), "Perceived Risk in New Product Trial by Elderly Consumers", Vol. 9 (February), 106-8
- Sinden, John A., and Albert Worrell (1979), *Unpriced Values*. New York: John Wiley and Sons
- Turley, L. W. and Ronald P. LeBlanc (1993), " An Exploratory Investigation of Consumer Decision Making in the Service Sector", *Journal of Services Marketing*, Vol. 7, No. 4 , 11 -18
- Zeithaml, Valarie A. (1981), "How Consumer Evaluation Processes Differ Between Goods and Services", In *Marketing of Services*, James H. Donnelly and William R. George, eds. Chicago: American Marketing Association, 186 -89
- (1988), "Consumer Perceptions of Price, Quality and Value: A Means - End Model and Synthesis of Evidence", *Journal of Marketing*, Vol. 52, (July), 2 -22

# RELATIONSHIPS OF SERVICE QUALITY PERCEPTIONS TO PUBLIC SCHOOL VOLUNTEERISM AMONG NON-PARENTS

*Kimball P. Marshall, Jackson State University*

---

## ABSTRACT

*United States public education systems seek community volunteers. This paper takes a marketing perspective of volunteerism and reports on 124 non-parents who responded to a mail survey. Results indicate that certain SERVQUAL/SERVPERF type items are related to willingness to volunteer for public schooling support activities.*

---

## INTRODUCTION

Public education is under scrutiny in the United States. Among the challenges is the need to improve perceptions of the quality of school services among non-parents. Non-parents are an important marketing input public that is asked to provide financial and social support, including volunteering for community involvement activities. However, non-parents are not direct recipients of public school services and have little contact with schools. This study reports on 124 registered voter, homeowners without school age children, who responded to a mail survey on school services in a urban school district. This paper applies the SERVQUAL/SERVPERF conceptual frameworks (Parasuraman, Zeithaml and Berry 1985, 1994; Parasuraman, Berry and Zeithaml 1991; Cronin and Taylor 1992, 1994) to social marketing by considering whether SERVQUAL/SERVPERF type items can predict non-parents' willingness to volunteer for public school support activities.

## SERVICE QUALITY AND VOLUNTEERISM

Not-for-profit organizations often depend on volunteers as a key resource. Moreover, volunteers may be a source of special expertise required by the organization such as when a school system seeks outside speakers who can inform students about career opportunities. Volunteers also may be an important vehicle for linking to the community. While SERVQUAL and SERVPERF items have been shown to produce reliable and valid scales for dimensions of service quality based on customers' direct experiences in for-profit retail settings, the use of such items may be problematic for assessing non-parents' perceptions of public school

services since non-parents might have little direct contact with school systems. However, non-parents may have perceptions of the performance of the school system that influence willingness to volunteer for support activities. Such perceptions may be gained from mass media reports, as well as contact with other members of the community who have had contact with the schools. While such reported perceptions would not be an accurate gauge of actual school system performance, this "input" public's (Kotler and Andreasen, 1991) perceptions may have consequences for the willingness to volunteer.

The work of Parasuraman, Zeithaml and Berry (1985; Zeithaml, Parasuraman and Berry 1990, 1994) and the work of Cronin and Taylor (1992, 1994) have produced conceptual models for studying service quality in for-profit settings. The SERVQUAL model, drawn from focus group interviews in a variety of service businesses, focuses on five components of service quality: tangibility, reliability, responsiveness, assurance, empathy. Zeithaml, Parasuraman and Berry (1990) proposed an analysis which involved obtaining respondent ratings for 22 items with regard to the importance of specific issues in a given service delivery situation and 22 corresponding quality rating items for a specific organization. Overall quality could then be assessed as a function of the item-based quality ratings weighted by the importance ratings. These 22 importance and 22 quality items are referred to as the SERVQUAL items.

The cumbersome nature of the method, and earlier research in customer expectations and satisfaction (Teas 1994; Bolton and Drew 1990; Oliver 1980), led to the search for more efficient methods. Cronin and Taylor (1992, 1994) identified and tested four approaches

combining quality, importance, expectations and performance ratings for the 22 SERVQUAL items in four retail business areas. They concluded that an explicit performance evaluation based approach (SERVPERF). Moreover, the Cronin and Taylor (1994) research using confirmatory factor analysis indicated that the SERVQUAL/SERVPERF items were not statistically independent. The present study draws on this background by using SERVQUAL/SERVPERF type items to operationalize perceptions of service quality.

## METHODOLOGY

The data used for this study were developed from a mailed questionnaire survey sent to 1,991 randomly selected registered voters in a single urban school district which had been engaged in public controversy regarding educational quality, leadership, budgets and school safety for several years. Questionnaires were returned by 298 respondents, providing a response rate of 15.0%. Of these, 124 were homeowners without school age children and provided responses to all service quality and volunteerism items used in this report. Of these, 51.6% identified themselves as men and 48.4% as women. The respondents tended to be older (to be expected since many had grown children); only 18.6% were age 50 or below, 20.3% were age 51 to 60, 35.6% were age 61 to 70, and 25.4% were over 70 years of age. Regarding education, only 4.9% did not have a high school degree, 19.5% had a high school degree only, 42.3% had only a college degree, and 33.3% had pursued graduate studies.

Although the available space allowed only sixteen items that could address the SERVQUAL dimensions, the included items addressed each of the five SERVQUAL dimensions. While items had to be adapted to the public school context, following the SERVPERF recommendation of Cronin and Taylor (1994) performance based wording was used and SERVPERF wording was maintained wherever possible. The items used in this study were scored on a 1 to 5 scale with "1" indicating "Strongly Disagree", "3" indicating "Don't Know" and "5" indicating "Strongly Agree." Scales were developed by classifying the items according to their original SERVQUAL dimensions and then summing the item scores. Cronbach's Alpha tests (Nunnally 1978; Peterson 1994) were used to verify that all items contributed to increased statistical reliability. These tests led to combining the Reliability and Assurance scales as it was found that a higher Alpha was produced with the

two sets of items combined than for either scale separately. The Tangibility scale produced an Alpha of .69; reliability .90, Responsiveness-Assurance .90; and Empathy .78. Respondents' overall assessments of the quality (Overall Quality) of the school system were addressed by a statement similar to that used by Parasuraman, Berry and Zeithaml (1991): "I rate the quality of \_\_\_ services as ..." (a blank is used here in place of the name of the school system). A seven-point scale was provided: 1 indicating "very poor," 4 indicating "uncertain," and 7 indicating "excellent." Willingness to volunteer (Volunteer) was assessed by five items. These inquired as to whether respondents would be willing to serve as a tutor at study sessions, serve on a planning committee, give time to support extracurricular activities, serve as a life skills mentor for an individual student, and visit classes to read to students. Each item had a five point scale with 1 indicating "would not do this," 2 indicating "might do this," and 5 indicating "definitely would do this." Volunteer was created by summing these items. This scale produced an Alpha of .91.

## ANALYSIS AND FINDINGS

In order to assess the degree to which the SERVQUAL/SERVPERF type scales used here may be related to willingness to volunteer, a backward stepwise multiple regression approach was used. This approach allowed some degree of consideration of multicollinearity which prior research and inspection of zero-order correlations indicated may be present among the independent variables. The results of these analyses are presented in Table 1. In the initial model, all four scales and Overall Quality were forced into the model with Volunteer as the dependent variable. Items were then removed in order of the smallest contribution to explained variation. The initial model produced a statistically significant  $R^2$  and explained approximately 12% of the variance in Volunteer. However, only the Tangible variable produced a significant coefficient ( $\beta = -.25$ ) and this coefficient was in the opposite direction from that expected. Variables were removed until only statistically significant variables remained. The final model yielded two service quality dimensions that produced a statistically significant relationship with Volunteer. Again, Tangibility produced a significant but negative  $\beta$  (-.24). However, Empathy produced a statistically significant, positive  $\beta$  (.2634) indicating that this dimension of perceived service quality was associated with increased willingness to volunteer.

Table 1: Multiple-Regression Full Model and Reduced Model Beta Coefficients and Explained Variation for Performance Perception Scales and Overall Quality with Willingness to Volunteer (N=124).

	Willingness to Volunteer	
	Full Model	Reduced Model
Tangibility	-.2502 <sup>2</sup>	-.2366 <sup>1</sup>
Reliability	.0975	
Responsiveness		
-Assurance	.0754	
Empathy	.2980 <sup>2</sup>	.2634 <sup>1</sup>
Overall Quality	-.2246	
R-Square	.1174 <sup>3</sup>	.1006 <sup>3</sup>

<sup>1</sup>P<.05 (1-Tail). Null hypothesis rejected.

<sup>2</sup>Coefficient statistically significant (P<.05, 2-Tail) but in direction opposite from that hypothesized. Null hypothesis accepted.

<sup>3</sup>P<.05 (2-Tail).

### CONCLUSIONS

This study has also shown the importance of certain aspects of perceived service quality to volunteerism. Surprisingly, positive perceptions of physical features tended to be associated with reduced willingness to volunteer - possibly due to creating an image of less need. Empathy, measured in terms of pride in schools, respect for cultural and racial diversity (in this strongly bi-racial community), perceptions of caring personal attention and images of the school system

understanding what the public wants from schools, were associated with greater willingness to volunteer. This is surprising, since this population of non-parents of public school children has little direct contact with the school system and suggests that school systems, and perhaps other not-for-profit public service organizations may encourage volunteerism by emphasizing sensitivity to community desires and the ability of the public service organization to identify with non-client members of its input public as well as its client base.

### REFERENCES

- Bolton, Ruth N. and Drew, James H. (1990), "A Longitudinal Analysis of the Impact of Service Changes on Customer Attitudes," *Journal of Marketing*, 55, 1-9.
- Cronin, J. Joseph, Jr., and Steven A. Taylor (1992), "Measuring Service Quality, A Reexamination and Extension," *Journal of Marketing*, 56 (July), 55-68.
- Cronin, J. Joseph, Jr., and Taylor, Steven A. (1994), "SERVPERF Versus SERVQUAL: Reconciling Performance-Based and Perceptions-Minus-Expectations Measurement of Service Quality," *Journal of Marketing*, 58, 125-131.
- Kotler, Philip and Andreasen, Alan (1991), *Strategic Marketing for Nonprofit Organizations*, Englewood Cliffs, NJ: Prentice-Hall.
- Nunnally, Jum C. (1978), *Psychometric Theory*, 2nd Ed. New York, NY: McGraw-Hill.
- Oliver, Richard L. (1980), "A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions," *Journal of Marketing Research*, 17, 460-469.
- Parasuraman, A., Berry, Leonard L. and Zeithaml, Valarie A. (1991), "Refinement and Reassessment of the SERVQUAL Scale," *Journal of Retailing*, 67, 420-450.

- Parasuraman, A., Zeithaml, Valarie A. and Berry, Leonard L. (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, Vol. 49, 51-50.
- Parasuraman, A., Zeithaml, Valarie A. and Berry, Leonard L. (1994), "Reassessment of Expectations as a Comparison Standard in Measuring Service Quality: Implications for Further Research," *Journal of Marketing*, 58, 111-124.
- Peterson, Robert A. (1994), "A Meta-analysis of Cronbach's Coefficient Alpha," *Journal of Consumer Research*, 21 (September), 381-391.
- Teas, R. Kenneth (1994), "Expectations as a Comparison Standard in Measuring Service Quality: An Assessment of a Reassessment," *Journal of Marketing*, 58, 132-139.
- Zeithaml, Valarie A., Parasuraman, A. and Berry, Leonard L. (1990), *Delivering Quality Service: Balancing Customer Perceptions and Expectations*, New York: The Free Press.



# USE OF MULTIDIMENSIONAL PERCEPTUAL MAPS IN DETERMINATION OF SERVICE QUALITY

*P. Raj Devasagayam, St. Norbert College*

---

## ABSTRACT

*Any methodology attempting to measure service quality grapples with the problems of operationalizing and eventually measuring service quality perceptions of both the buyer and the seller. This research suggests the use of multidimensional perceptual mapping methodology [MPM] in determining service quality. This is believed to be the first study to make use of MPM methodology to measure service quality. MPM techniques measure and capture service quality perceptions in a multidimensional space defined by the perceived dimensions of quality vital to both the organization and the customer. A small sample of buyer-seller dyads in a major auto-rental firm is used to empirically demonstrate the application of MPM in the determination of service quality. The procedures, advantages, and limitations of MPM are discussed and possibilities for future research applications are suggested.*

---

## INTRODUCTION

Services marketing has come a long way from the time when it was assumed that the manufacturing models of quality were extendible to the service sector. It is fast evolving into a discipline rich in content and strong in its foundations based on the traditional marketing concept. Customers are no longer treated as numbers, a mere slot being relinquished by one to be filled by another. Long term relationships, ranging from discrete transactions to continuous relational exchanges are being based on quality. Quality is being recognized in terms of the customer, rather than the standards set by the corporate hierarchy (Bowen and Schneider 1998; Gronroos 1982; Parasuraman et al. 1988; Schneider 1986). The "moment-of-truth" in a service encounter, though short-run in nature, provides occasions for exchange relationships (a long-term phenomenon). The buyer-seller interface unique to services and heterogeneity of production as well as consumption prevents services and the resultant quality to be truly standardized. Quality delivered may not translate to quality perceived on part of the customer and the desired quality of service on part of the organization may end up not being delivered. This research addresses this critical issue in determination of service quality.

The role of organizational and customer perceptions in service quality determination pose certain methodological challenges. There is ample evidence to support the use of quality perceptions of both the organization and the customer in determining service quality. However, the task of determining service quality

is made complex by the lack of proper techniques to measure the perceived quality of service rendered. The methodologies used to measure quality perceptions have consistently produced mixed results. How is one to operationalize, and eventually measure perceptions? How valid would the results be? Are perceptions mere opinions? If so, would expert opinions suffice as measurements of quality? The findings of such an analysis will provide insights necessary to relate the quality determinants to workable service system design alternatives, and provide the voice of customer as an input to service designs that would meet the expected standards of quality (Peter and Waterman 1982).

This study relies on the conceptual foundations of service quality offered by extant literature and contributes by proposing some multidimensional perceptual mapping techniques as possible solutions in measuring customer and organizational perceptions in determining service quality. The primary objective of this research is to propose multidimensional perceptual mapping methodology as a tool in determination of service quality. We begin by examining the theoretical rationale of using perceptions in determining service quality. Thereafter, we present an exploratory study to demonstrate the usefulness of MPM techniques in determination of service quality.

## CONCEPTUAL FOUNDATIONS

Gronroos (1982) states that perceived quality of a service is a function of the comparison of expected service with perceived quality of service delivered and an

outcome of a comparative evaluation process. Lewis and Booms (1983) posit that service quality is a measure of how well the service level delivered matches customer expectations. These studies stress the role of perceptions of the service organization in determining service quality. Smith and Houston (1982) posit service satisfaction to be linked directly to confirmation or disconfirmation of customer expectations. Czepiel (1990) stresses that perceptions of both the service provider and the customer become the focal point of any ensuing research in service quality. Parasuraman et al. (1985) provide a framework where the perceptions of the customers and management are given equal credence in determining gaps in service quality. Their model underscores the need to meet and exceed the customer expectations, in order to enhance the quality of the service provided. The first step in measuring service quality, thus, is to accurately define and measure the *perceptions* of service quality (Heskett 1987).

Perceptions vary across customer segments, a heterogeneity desired and maintained during the process of segmentation. Unless an organization can measure these perceptions and be able to gear their services to meet perceptual expectations, quality will remain illusive. The danger is that the organization may believe that it is meeting these specifications. It may perceive that quality service is being delivered, yet the specifications and dimensions inherent in its definition of quality may be totally dissimilar to that which is expected and exercised by the customer in evaluating quality of the service delivered. The organizational perception of the present state of the quality delivered and the salient dimensions of evaluation used by the customer now become important.

The preceding discussion clearly indicates that the perceptions that matter in determining service quality are those of the service organization and the customer, and not necessarily in that order. The Parasuraman et al. (1985) model captures the essence of this phenomenon in examining the gap (discrepancy) between management's perceptions of consumer service quality expectations and the consumer expectations. However, the use of the term *gap* has led researchers to confine themselves to statistical techniques lending themselves to gap analysis (e.g., Brown and Schwartz 1987). The results are often mixed, and unclear. This research attempts to break this prevailing trend and makes use of multidimensional perceptual mapping [MPM] to measure and capture the quality perceptions in a multidimensional space defined by the perceived dimensions of quality vital to both the organization and the customer. The use of MPM for this

purpose is both theoretically sound and intellectually pleasing.

Parasuraman et al. (1988) provide the various dimensions pertinent to customer-evaluation of quality in service encounters. They identify five dimensions of quality determinants: [1] Tangibles (Physical facilities, Equipment, and Appearance), [2] Reliability (Dependability, Accuracy, and Consistency), [3] Responsiveness (Promptness, and Courtesy), [4] Assurance (Knowledge, Competency, and Trustworthiness), and [5] Empathy (Care, Individualized and Customized Attention). This study uses these five dimensions to develop an instrument conducive to MPM data collection and analysis norms within the context of the auto-rental industry. To the best of our knowledge, this is the first time that the MPM technique is being used for the measurement of service quality, a brief description of the theoretical foundations of the technique would be in order.

## METHODOLOGICAL FOUNDATIONS

MPM is a multidimensional scaling technique that takes a set of distance data and tries to find a spatial configuration or patterns of points in some number of finite dimensions whose distances best match the input data (Green, Carmone, & Smith 1989; Green & Tull 1978). It is relatively simple to proceed from a scaled map to arrive at numerical distances, we practice this routinely in our day to day lives. The reverse is difficult unless specific label and relative distances are precisely defined. MPM is an attempt at the latter. Basically we wish to find, simultaneously, both the number of dimensions and the configuration or patterns of the points in that dimensionality. Since MPM largely deals with nonmetric data, the objective is to ensure that the ranks of computed interpoint distances most closely match the ranks of the input data. The MPM model does not explain perception, it is assumed to only provide a useful representation of a set of subjective judgments about the extent to which a respondent views various pairs of entities to be similar and/or dissimilar. MPM models are mere representation of data rather than theories of perceptual processes.

The MPM model starts out with a set of experimentally obtained proximity measures (similarities, dissimilarities, psychological distances) that may be rank ordered and then attempts to represent such empirical data geometrically as points in some type of metric space. Both the dimensionality of the space and the configuration of points in the space would be of interest

to us in determining service quality.

MPM deals with relations on elements or pairs of elements. The term element refers to stimuli, subjects, or both. Two basic relations that characterize psychological data are dominance and consonance. Measures of dominance involve a strict rank order of a set of elements with respect to some property (attribute) level. For instance, A (brand name) is 'higher' than B (brand name) with respect to attribute X (price). Measures of consonance attempt to see if two elements match with respect to some attribute or property level (similarity/dissimilarity measures). Once stimuli or subjects are characterized in more than two dimensions in a geometric space, this ordering (dominance) and matching (consonance) yield distances between pairs of points that lead to the construction of multidimensional configurations. The distance model is the major model used in the analysis of similarities. The differences in distance, unequal lengths and equal lengths, indicate dominance or consonance between pairs of points.

In order to facilitate the use of the distance model as a model of similarities, following assumptions are made. One, an item is more similar to itself than to any other item, and the similarity of A to B is the same as the similarity of B to A. Two, similarity between two stimuli is some function of their partial similarities on each of the several perceptual dimensions. Three, partial similarities/dissimilarities do not depend upon the actual location of the points, but on their absolute similarity or difference, dimension by dimension. Finally, the interpoint distances are ratio scaled and the axes of the configuration are multidimensional interval scaled, with a common unit. These assumptions link the MPM model to the properties exhibited by the distance model.

### DATA COLLECTION

We use a square symmetric matrix, an  $n * n$  intact conditional matrix where all  $[n(n-1)]/2$  stimulus pairs have been evaluated. All cell values are comparable across both rows and columns and are used as input for the analysis of similarities data. For instance, in our questionnaire each respondent evaluates seven car rental companies, thus providing us with data on  $\{7(7-1)\} / 2 = 21$  pairs of companies. This form of data is derived from measures of similarity, dissimilarity, affinity, substitutability, interaction, correlation, or congruence between the  $n$  stimuli. Thus, this study uses a set of direct-judged similarities of disjoint pairs of objects, obtained in the first part of the questionnaire [see Appendix A]. The design of the questionnaire facilitates

data entry in the form of a lower half, off-diagonal similarities matrix. In this study the stimuli used are seven car-rental companies, and the attributes are the various service quality dimensions that the extant theory suggests. In the first part of the consonance data on the seven car rental companies was collected using a 9-point scale. With 9 indicating "extremely similar" and 1 anchored to "not at all similar". The second section of the questionnaire was designed to collect ratings of various car-rental companies based on unidimensional 7-point scale of attributes operationalized from the quality dimensions of Parasuraman et al. (1988). Section Two collects ratings on dominance between the seven car-rental companies on individual service quality dimensions relevant to auto-rental companies: courtesy, convenience, promptness, value for money, ease of reservation, adherence to specifications desired by customer, reliability of rentals, breakdown assistance, patience of service provider in responding to queries, reassurance, technical know-how of the provider, and ease of obtaining information.

This study used two samples, a customer sample, and an organization sample. The customer sample consisted of 45 respondents, of which 26 completed questionnaires were returned, yielding a response rate of 57.8%. Upon closer scrutiny for invalid responses, 13 usable questionnaires were identified (28.9%). The organizational sample was 18, of which 8 completed questionnaires were returned, and used for analysis (44.5%). There are no sample size restrictions posed by the MPM methodology in exploratory research involving hypotheses generation. Both samples were drawn from one location of Alamo Rent-A-Car.

Customer respondents were offered incentives to take a few minutes to respond to the questionnaire right after the moment-of-truth. Once the customer agreed to participate in the study, the specific service provider involved in the service encounter was asked to respond to a questionnaire. The same instrument, with contextual changes was administered to service providers. The respondents from the organization sample were asked to respond to the questions as they perceived their customers would answer them.

The input of the front-line service provider is vital, it has been demonstrated that their input is a good approximation of the customer's quality expectations (Schneider and Bowen 1985). In many cases due to their active participation in the moment of truth, and their physical and psychological proximity to the customer at the point of encounter, the front-line employees can

identify the customer expectations better than the management (Langeard et al. 1981).

### DATA ANALYSIS

KYST was used for multidimensional scaling and unfolding of similarities data, PROFIT was used for property fitting by optimizing the correlations and aiding in the identification of dimensions. KYST is the acronym for Kruskal, Young, Shepard, and Torgerson, the team that developed this algorithm and the software. KYST is a flexible PC based program for multidimensional mapping and unfolding. It has an initial configuration procedure, and provides for rotating solutions to principal components. KYST allows for both metric and nonmetric scaling and unfolding. It analyzes a set of rank or rating data to produce a metric configuration of points in space. It uses the lower half off diagonal dissimilarities/similarities matrix as the input. The algorithm uses these ratings or rankings to generate a set of metric distances between objects so that the distances most closely represent the original ranks between pairs. KYST is a point-point model, meaning that distances between any two points plotted may be interpreted as an indicator of similarity or dissimilarity. KYST plots only the stimuli (car-rental companies). For a more detailed description of KYST the reader is advised to refer to Kruskal (1964a,b) and Young (1968).

The PROFIT (PROperty FITting by optimizing nonlinear or linear correlation) program relates a stimulus space to several sets of independently determined attributes called properties. The algorithm starts with coordinate input, the configuration matrix generated as an output of KYST, of  $n$  stimuli in a prespecified  $K$  number of dimensions. Also input is the set of independently determined physical measures called properties on which each stimulus is ranked. PROFIT finds a vector for each property, a direction in the  $K$ -dimensional space such that the projections of the  $n$  stimulus points on that vector correspond optimally to the values input for the property vectors. The procedure uses each property as the dependent variable in a general nonlinear multiple regression, while the stimulus coordinates of the multidimensional space are treated as independent variables. The output is a plot of stimulus in  $K$ -dimensions along property vectors.

#### Solution Interpretation

In Euclidean space one needs to both interpret and reorient the configuration. KYST, by default, orients the configuration to principal components axes. The

most common approach to axis interpretation is the use of expert judgments by the researcher. The configuration itself may suggest these judgments. The respondents (subjects) are asked to list the main criteria that they believe they used in making similarity judgments, these criteria further aid researcher in interpretation. Sometimes, the subject might be involved in the interpretation along with the researcher. These procedures are subjective, and may thus be most appropriate for hypothesis generation, rather than hypothesis testing. In future analysis subjects might be asked to use the evaluative criteria thus generated.

In our study, the axis interpretation is based on researcher judgment, with pertinent and vital inputs from the managers of car-rental companies. The managers involved in the results interpretations have, on an average, experience of over 10 years in the industry, their views incorporated in the interpretations are reflective of their industry specific expertise.

We have two sets of data for each subject. The first set consists of the stimulus configuration obtained from KYST, the second set from the latter interval scale. Now the objective was to fit the outside property vectors, which are the unidimensional ratings. We used PROFIT to do this for us.

The coordinate axes in the stimulus space are our dimensions. The number of such dimensions depend upon the change in goodness of fit with change in dimensionality. The final criterion for number of dimensions is interpretability, dimensions that can not be interpreted probably do not exist. The coordinate axes in the stimulus spaces may not lie in the same direction as the perceptual dimensions. While MPM solution can provide a map of city locations from intercity distances, it cannot align the map in north-south direction. However, the programs do frequently provide coordinate axes that may be interpreted as perceptual dimensions. The first step is to look at the properties of stimuli at each end of the dimension to determine if there is some attribute that changes in an obvious fashion.

#### Identifying Degenerate Solutions

Not all MPM solutions are interpretable. Inability to interpret may be a result of degeneracy in the solution. Degeneracy may result in points arrayed in a circle, indicating that the respondents view all stimuli as equally similar to one another. Similarly, two clusters of points on either side of the  $x$ -axis (dumbbell shape) are also indicative of a degenerate solution. Such results

suggest a unidimensional solution and a separate analysis of the clusters of points at each end of the scale. Degenerate solutions are often indicative of improper parameter or inappropriate attribute selection.

## RESULTS AND DISCUSSION

Figures 1 and 2 are the final outputs of the KYST procedure for the customer and organization samples, respectively. The final stress (badness of fit) values achieved were 0.239 for the customer sample, and 0.181 for the organization sample. Lower values of stress are indicative of a good fit. The stress values achieved with these limited sample sizes suggest a very good fit. The figures include the key to legends used for each of the car-rental company. A comparison of the two plots reveals that while the customers view Alamo as being similar to Value, Dollar, and Budget, the organization sample perceives Alamo to be similar to Budget and General, but very dissimilar to Value, Avis, and Dollar. The plots are indicative of the gaps in the perception of the positioning of the company, which would further manifest itself in the quality perceptions of the two samples in the PROFIT output.

Figures 3 and 4 are the final plots of the stimulus points and the property vectors, in our case the service quality determinants. Figure 3 pertains to the customer sample, while Figure 4 is for the organizational sample. Once again the figures include the key to legends used for each stimuli, and quality determinants. In Figure 3 promptness and reassurance appear as multiple attributes plotted at the same point. We find that customers perceive Alamo as a company that provides good assistance in case of a breakdown, good value for money, and perceive it as providing average quality in the areas of moment of truth quality determinants. Alamo seems to fare poorly in adherence to specifications, and providing additional information on promotional offers, and to that extent is perceived as company that does not exhibit much empathy. Hertz, for instance, is perceived as a company with most quality determinants in its favor, yet delivering poor value for money, and not being very faithful with reservations. Avis, finds a niche for itself in providing moderate value for money, perceived as being poor in the moment-of-truth quality determinants, a perception almost diametrically opposite of the market leader Hertz.

The difference of perception of the organization sample is glaring in comparison. The organization perceives Alamo to be very low on courtesy, and perceives Avis to be providing more courteous service.

Alamo perceives convenience of locations as a strength of the company; however, the customers do not seem to agree with this perception. Additional information, reassurance, promptness of service, and breakdown assistance appear as multiple points in the organization sample, and Alamo is perceived as doing well on these fronts. However, the customers do not perceive Alamo to be meeting such standards in providing additional information. The organization perceives Avis to be very dissimilar to Alamo, the customer sample does not perceive the difference to be that prominent.

The plots generated are indicative of the difference in perceptions of the organization and the customers of Alamo. The pictorial representation makes the interpretation more understandable, any existing gaps in the perceptions are measured, analyzed, and presented in a form that is convenient to interpret and easy to comprehend. Since both the algorithms used rely on interpretation in terms of inter-point distances, conclusions may be drawn for each stimulus for a given set of quality determinants.

## CONCLUSIONS AND FUTURE RESEARCH

This study is an effort to establish the appropriateness of the use of MPM techniques in measuring gaps in perceptions. Since the inherent nature of services makes the evaluation of its quality a perceptual phenomenon, the MPM technique of measurement and analysis of perceptions seems a step in the right direction.

Zeithaml et al. (1988) indicate that service quality problems related to incorrect perceptions of service quality on part of the service organizations is a result of three factors. First, not recognizing the importance of customer input in the service design process. Second, lack of appropriate communication and feedback mechanisms. And finally, due to barriers between customer contact personnel and top managers. The use of MPM in measuring quality perceptions provides a way of incorporating the customer viewpoint in service designs. The simplicity of outputs makes it easy to facilitate communication between top management and front-line service providers.

An advantage that MPM offers is the practical use of the results in strategic quality deployment throughout the organization. The pictorial outputs are excellent in training sessions involving front-line service providers. The graphical nature of output is useful in physically demonstrating interpoint differences in

perceptions of customers as compared to the service providers. It is intuitively easy to teach and learn and makes quality deployment through training a fun exercise.

The results of this study should be treated as merely suggestive of the application of MPM in the measurement of service quality. The research suffers from a lack of generalizability. The samples are small and limited to a specific geographic market with its unique characteristics. The organizational sample is limited to one area office and the customer perceptions were measured at one point of encounter. The specific market used to draw out the customer sample might suffer with a lack of knowledge about the various companies used as stimuli. The findings of this study should be replicated using larger and varied samples before a generalizable model of MPM can be established and used in future research.

There are some limitations inherent to the techniques employed. MPM methods still suffer from a number of limitations. In case of nonmetric methods all the methods are subject to the possibility of local optima and degenerate solutions where the answer is meaningless, even though the goodness of fit criterion has been satisfied. The content side of MPM dealing with dimension interpretation, relating physical changes in products to psychological changes in perceptual maps - poses by far the most difficult problem. The

interpretation of results is based on the limited knowledge of the researcher and the perceptual biases of the experts who were members of the organization under study. Future studies need to find creative ways of overcoming this subjective nature of interpretation.

The supervisory staff, the middle management, and the top management were not included in the organizational sample. Various levels of the management should be represented in the organizational sample due to their role in the actual design of the service system, the corporate culture, and corporate commitment to policies pertaining to quality standards. For instance, Berry et al. (1988) observe that even when the management does fully understand the customer expectations, constraints on resources might force the organization to take a conscious decision to restrict their competitive edge through quality to certain key areas. However, if the management indeed has a good understanding of the customers expected quality perceptions coupled with competitor information, it would aid the company to design service systems aspiring to meet these expectations at the optimal level suggested by resource availability. With this in view, the perceptions of the management at various levels in the organization assume critical importance and merit measurement in future studies.

Despite these limitations, the objective of this study was achieved. This research succeeds in providing the foundation for the use of MPM in determination of service quality and sets the stage for a future study with larger and wider samples.

---

## REFERENCES

- Berry, L. L., A. Parasuraman, and V. A. Zeithaml (1988), The Service Quality Puzzle, *Business Horizons*, 31 (Sept.-Oct.), 35-43.
- Bowen, D. E., and B. Schneider (1988), "Services Marketing and Management: Implications for Organizational Behavior," *Research in Organizational Behavior*, eds. B. Stow and L. L. Cummings, Vol. 10, JAI Press: Greenwich, CT.
- Crosby, P. B. (1979), *Quality is Free: The Art of Making Quality Certain*, New American Library: New York, NY.
- Green, P. E., and Donald S. Tull (1978), *Research for Marketing Decisions*, Fourth edition, Prentice-Hall: Englewood Cliffs, NJ.
- Green, P. E., Frank J. Carmone, Jr., Scott M. Smith (1989) *Multidimensional Scaling: Concepts and Applications*, Allyn and Bacon: Needham Heights, MA.
- Gronroos, C. (1982), *Strategic Management and Marketing in Service Sector*, Swedish School of Economics and Business Administration, Helsingfors, Sweden.

- Heskett, J.L. (1987), "Lessons in Service Sector," *Harvard Business Review*, 65 (March/April), 118-126.
- Kruskal, J. B. (1964a), "Multidimensional Scaling by Optimizing Goodness of Fit to a Nonmetric Hypothesis," *Psychometrika*, 29, 1-27.
- Kruskal, J. B. (1964b), "Nonmetric Multidimensional Scaling: A Numerical Method," *Psychometrika*, 29, 115-129.
- Langard, E., J. E. G. Bateson, C. H. Lovelock, and P. Eiglier (1981), *Service Marketing: New Insights from Consumers and Managers*, Marketing Science Institute: Cambridge, MA.
- Parasuraman, A. and V. A. Zeithaml (1982), Differential Perceptions of Suppliers and Clients of Industrial Services, in *Emerging Perspectives on Services Marketing*, eds. L. Berry et al., AMA: Chicago, IL.
- Parasuraman, A., V. A. Zeithaml, and L. L. Berry (1985), A Conceptual Model of Service Quality and its Implications for Future Research, *Journal of Marketing*, 49 (Fall), 41-50.
- Parasuraman, A., V. A. Zeithaml, and L. L. Berry (1988), SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality, *Journal of Retailing*, 64 (Spring), 13-37.
- Peters, T. J., and R. H. Waterman, Jr. (1982), *In Search of Excellence*, Harper and Row: New York, NY.
- Schiffman, Susan S., M. Lance Reynolds, Forrest W. Young (1981), *Introduction to Multidimensional Scaling: Theory, Methods, and Applications*, Academic Press: New York, NY.
- Schneider, B. (1986), Notes on Climate and Culture, in *Creativity in Services Marketing, What's New, What Works, What's Developing*, Eds. F. Venkatesan et al., pp. 63-67, AMA: Chicago, IL.
- Schneider, B., and D. E. Bowen (1985), "Employee and Customer Perceptions of Service in Banks: Replication and Extension," *Journal of Applied Psychology*, 70, 423-433.
- Young, F.W. (1968), "TORSCA, An IBM Program for Nonmetric Multidimensional Scaling," *Journal of Marketing Research*, 5 (Aug.), 319-321.
- Zeithaml, V. A., L. L. Berry, A. Parasuraman (1988), "Communication and Control Processes in the Delivery of Service Quality," *Journal of Marketing*, 52 (April), 35-48.

**UNIVERSITY/ORGANIZATION INDEX**

Angelo State University . . . . .	26	Mississippi State University . . . . .	40, 51
Ashland University . . . . .	80	Missouri Western State College . . . . .	75
Bellarmino College . . . . .	64	Ohio University . . . . .	40
Central Connecticut State University . . . . .	46	Ouachita Baptist University . . . . .	25
Central Missouri State University . . . . .	25	North Central College . . . . .	148
Da-Yeh Institute of Technology-Taiwan . . . . .	100	Purdue University Calumet . . . . .	6
Drake University . . . . .	106	Southeast Missouri State University . . . . .	30, 139
Duquesne University . . . . .	134	Southeastern Louisiana State University . . . . .	129
Eastern Illinois University . . . . .	70	Southern Illinois University-Carbondale . . . . .	164
Flagler College . . . . .	11	St. Cloud State . . . . .	29
Fort Hays State University . . . . .	112	St. Norbert College . . . . .	121, 177
Franklin University . . . . .	11	Texas A & M International University . . . . .	129
Graceland College . . . . .	70	University of Akron . . . . .	1
Grand Valley State University . . . . .	64	University of Detroit Mercy . . . . .	129
Illinois State University . . . . .	64	University of North Carolina-Pembroke . . . . .	51
Illinois Wesleyan University . . . . .	163	University of South Carolina-Spartanburg . . . . .	51
Indiana State University . . . . .	84	University of Tennessee-Martin . . . . .	30
Indiana University Northwest . . . . .	35	University of Wisconsin-Eau Claire . . . . .	153
Indiana University South Bend . . . . .	100	University of Wisconsin-Madison . . . . .	95
Jackson State University . . . . .	173	University of Wisconsin-Washington County . . . . .	24
Magna-Tel, Inc. . . . .	139	Universal Scientific Inc. . . . .	26
Maine Maritime Academy . . . . .	105	West Virginia University . . . . .	144
Marshall Marketing, Inc. . . . .	134	Western Illinois University . . . . .	11, 17, 40, 158
Metropolitan State College of Denver . . . . .	153	Western Michigan University . . . . .	89
Michigan Technological University . . . . .	18	York University . . . . .	121
Middle Tennessee State University . . . . .	1		



## AUTHOR INDEX

Achison, Kerrie . . . . .	29	Kellerman, Mary Ann . . . . .	139
Ash, Steven R. . . . .	11	Kesavan, Ram . . . . .	129
Bloomberg, David J. . . . .	17	Koniaev, Dmitry . . . . .	105
Bridgens, David . . . . .	105	Lackman, Conway . . . . .	134
Brokaw, Alan . . . . .	18	Lee, Monle . . . . .	100
Chacko, Sankutty . . . . .	105	Liu, Shuei-Shen . . . . .	100
Chandler, E. Wayne . . . . .	70	Luthy, Michael R. . . . .	106
Chang, Tung-Zong . . . . .	153	Marshall, Kimball P. . . . .	173
Chawla, Sudhir K. . . . .	26	McKinney, William B. . . . .	26
Chen, Su-Jane . . . . .	153	McKnight, Oscar . . . . .	80
Chiesl, Newell . . . . .	84	Miller, Janet . . . . .	139
Chung, Ed . . . . .	124	Mitchell, Mark Andrew . . . . .	51
Cook, Robert W. . . . .	144	Montgomery, Rob . . . . .	51
Czyzewski, Alan B. . . . .	84	Noel, Noel Mark . . . . .	35
Daniels, William . . . . .	105	Parsa, Rahul A. . . . .	106
Daubek, Hugh G. . . . .	6	Patton, Thomas C. . . . .	70
Devasagayam, P. Raj . . . . .	177	Paugh, Ronald . . . . .	80
Engelland, Brian . . . . .	40	Pesce, Anna M. . . . .	46
Feldman, Lori S. . . . .	6	Peters, Howard B. . . . .	112
Fischer, Eileen . . . . .	121	Phillips, Melodie R. . . . .	1
Grimm, Jim L. . . . .	64	Pisierra, Valeria J. . . . .	26
Guskey, Audrey . . . . .	134	Plank, Richard E. . . . .	89
Hanna, Joe B. . . . .	11, 17	Potoker, Elaine S. . . . .	105
Harmon, Harry A. . . . .	25	Prasad, Sarada V. . . . .	24
Haynes, Andy . . . . .	134	Rayburn, J. Michael . . . . .	30
Herbig, Paul . . . . .	129	Rayburn, L. Gayle . . . . .	30
Hopkins, Chris . . . . .	40	Ross, Douglas K. . . . .	11
Horton, Veronica . . . . .	1	Rudolph, Bennett L. . . . .	64
Hoyt, Frederick B. . . . .	163	Schaffer, Peter B. . . . .	158
Iyer, Rajesh . . . . .	56	Singh, Mandeep . . . . .	17, 40
Joyce, Patrick . . . . .	18	Slovacek, Richard . . . . .	148
Katz, Joanne G. . . . .	75	Smith, William B. . . . .	11
Kellerman, Bert J. . . . .	139	Socha, Ronald . . . . .	164

**AUTHOR INDEX, cont'd.**

Spaulding, James B. Jr. ....	64
Stark, Jerrold L. ....	112
Strauss, Judy ....	46
Tate, Uday ....	129
Taylor, Ronald D. ....	51
Vida, Irena ....	95
Viel, Jeffrey ....	105
Wagner, Sharon ....	75
Webster, Robert L. ....	25
Weynberg, Stephanie ....	25
Workman, Letty ....	40