

# ***ADVANCES IN MARKETING***



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**Uday S. Tate**

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## **Advances in Marketing**

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## EDITORIAL PREFACE

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This year's *Advances in Marketing* is a compilation of forty-one competitive papers, special sessions, and workshops that address a broad range of challenges, opportunities, cutting-edge issues for marketers in the new Millennium. Members of the Association of Collegiate Marketing Educators are expanding the discipline in such areas as the Internet, Health Care Marketing, Franchising, Public policy, as well as the teaching and learning of marketing. Two significant additions to the conference were: Interdisciplinary Business and Educator Workshops & Certifications. This volume represents a collective and dedicated effort, beginning with the scholarly work of the manuscript authors, continuing in an extensive review process by a dedicated team of reviewers, and ending with the publication of these Proceedings. Please join us in recognizing and appreciating College of Business at University of North Texas. Additionally, we all owe a debt of gratitude to our 2003 Program Chair, Dr. Nancy Albers-Miller, whose commitment, patience, and endless efforts made this scholarly conference a great success. Most importantly, we would like to thank the members of the Association of Collegiate Marketing Educators for their support of this conference and its Proceedings.

Thank you for allowing us to contribute to the 2003 Conference of the Association of Collegiate Marketing Educators.

*Uday S. Tate*  
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## Message from the Program Chair

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We have an outstanding ACME Program. This program provides a wide diversity of special interests and includes the collective works and efforts of over 100 different individuals. Not only do we have many excellent faculty and student papers, we have many special sessions and workshops provided by outstanding educators and administrators. These sessions and workshops address some of the critical concerns of our profession, including the efforts to expand our horizons across our disciplines and the efforts to improve the quality of our teaching.

For many years a majority of our participants have come from locations outside the southwest region of the United States. We have become a thriving and growing organization. Two years ago, our organization changed its name from the Southwestern Marketing Association (SWMA) to the Association of Collegiate Marketing Educators (ACME). Our group has been an affiliated organization under the Southwestern Federation of Administrative Disciplines (SWFAD). Last year, SWFAD also changed its name to the Federation of Business Disciplines (FBD) to reflect more the national participation that exists. To further emphasize this change, the FBD moved its 2002 meeting from Dallas to St. Louis. This was the first meeting as FBD and the first time for the group to meet in St. Louis. This year, ACME will meet back Houston, Texas but exciting location changes are planned for the years to come.

I truly appreciate the hard work of the Track Chairs and the involvement of everyone on the program. I hope you enjoy the 2003 FBD/ACME Conference.

*Nancy D. Albers-Miller*  
University of North Texas  
2003 ACME Program Chair



## TABLE OF CONTENTS

---

<b>Editorial Preface</b>	<b>iii</b>
<b>Awards</b>	<b>iv</b>
<b>Acknowledgements</b>	<b>v</b>
<b>2003 Program Leadership Team</b>	<b>v</b>
<b>Paper Reviewers</b>	<b>vi-vii</b>
<b>Message from the Program Chair</b>	<b>viii</b>

---

### INTERNATIONAL-CROSS CULTURAL-BEHAVIOR

---

<b>The Challenge of Social Marketing: Can Public Health Promotional Efforts Compete in the Market?</b>	<b>5</b>
Michael A. Weininger, University of Texas Health Science Center – Houston	

<b>European Consumer and Trade Perceptions of Travel Since September 11, 2001</b>	<b>14</b>
Ron Lennon, Barry University	
Alex Sharland, Barry University	

<b>Attributes About Life Events and Perceptions of Foreign Products: Contrasts in Individualism and Collectivism</b>	<b>22</b>
James H. Leigh, Texas A & M University	
Young-Tae Choi, Texas A & M University	

<b>Manager Attitudes and Globalization: Obstacles to Globalization as Perceived by Managers with Varying Degrees of Global Experience</b>	<b>25</b>
Shelly R. Tapp, West Texas State University	

<b>The Changing Environment of Chaebols in the Republic of Korea: Some Implications for International Marketing</b>	<b>27</b>
Yu Ha Cheung, University of Missouri	
Neil C. Herndon, University of Missouri	

---

### SERVICES MARKETING AND RETAILING

---

<b>Rural Retailing: Understanding the Multi-Channel Outshopper</b>	<b>38</b>
Jane P. Wayland, Eastern Illinois University	
Linda D. Simpson, Eastern Illinois University	
Barbara E. Kemmerer, Eastern Illinois University	

<b>The Influences of Service Encounters on Experiential Value of Consumers in Shopping Malls in Taiwan</b>	<b>48</b>
Ching-Jui Keng, National Taipei University of Technology, Taiwan	
Tseng-long Huang, National Taipei University of Technology, Taiwan	
Li-Jie Zheng, National Taipei University of Technology, Taiwan	

**Consumer's Store Behavior Orientations and Adverse Economic Conditions: An Empirical Investigation** \_\_\_\_\_ **49**

A. Ben Oumlil, University of Dayton \_\_\_\_\_

**HEALTHCARE MARKETING**

---

**Physician Satisfaction Scale: A Proposed Enhancement** \_\_\_\_\_ **50**

Robert Nixon, University of South Florida \_\_\_\_\_

Fernando Jaramillo, University of South Florida \_\_\_\_\_

**Developing a Model of Consumer Search Strategies for Mental Health Services** \_\_\_\_\_ **59**

Thomas Lipscomb, Southeastern Louisiana University \_\_\_\_\_

Terri Shaffer, Southeastern Louisiana University \_\_\_\_\_

Kyna Shelley, Southeastern Louisiana University \_\_\_\_\_

**Automated Healthcare Product and Service Information Systems:**

**Assessing Consumers' Perceptions and Expectations** \_\_\_\_\_ **65**

Ashish Chandra, Marshall University \_\_\_\_\_

Dennis Emmett, Marshall University \_\_\_\_\_

**Consumer Perceptions and Knowledge of Hospice Care:**

**Identifying Areas of Strengthening Marketing Efforts** \_\_\_\_\_ **75**

Ashish Chandra, Marshall University \_\_\_\_\_

Michele Bush, Marshall University \_\_\_\_\_

Zachary Frank, Marshall University \_\_\_\_\_

**Enrolling Minorities in Clinical Trials: Challenges and Strategies** \_\_\_\_\_ **172**

Ashish Chandra, Marshall University \_\_\_\_\_

William B. Stroube, University of Evansville \_\_\_\_\_

David P. Paul, III, Monmouth University \_\_\_\_\_

**PUBLIC POLICY AND ETHICS**

---

**Restricted Exchange Motivators in Social Marketing: A Comparison of Gender Differences in Importance Ratings and Influences of Advertised restricted Exchange Benefits in regard to Interest in Military Enlistment** \_\_\_\_\_ **89**

Kimball P. Marshall, Loyola University New Orleans \_\_\_\_\_

Ulysses J. Brown, Florida A & M University \_\_\_\_\_

**Rational Consumption: A Brief Historical Analysis** \_\_\_\_\_ **92**

William E. Kilbourne, Sam Houston State University \_\_\_\_\_

**The Business Environment in the Aftermath of 9-11:****A Return to (A New) Normalcy** \_\_\_\_\_ **98**

Gordon G. Mosley, Troy State University \_\_\_\_\_

David K. Amponsah, Troy State University \_\_\_\_\_

**ELECTRONIC COMMERCE****Features of Web Site Design, Perceptions of Web Site Quality and Patronage Behavior:****A Conceptual Model** \_\_\_\_\_ **106**

Ji Hee Song, University of Georgia \_\_\_\_\_

George M. Zinkhan, University of Georgia \_\_\_\_\_

**Horizontal vs. Vertical Online Marketplaces: Research Issues and Analysis** \_\_\_\_\_ **115**

Syed T. Anwar, West Texas A &amp; M University \_\_\_\_\_

**A Conceptual Model of Web Ad Message Design** \_\_\_\_\_ **116**

Chin-Feng Li, National Chin-Yi Institute of Technology, Taiwan \_\_\_\_\_

**MARKETING RESEARCH AND STRATEGY****International Sales Effects of Connectedness to Buyer's Networks** \_\_\_\_\_ **123**

Michael A. Taku, Talladega University \_\_\_\_\_

Felix Abeson, Coppin State College \_\_\_\_\_

**The Impact of an Oil Shock on the Diffusion of Technological Innovations** \_\_\_\_\_ **130**

Hani I. Mesak, Louisiana Tech University \_\_\_\_\_

Maxwell K. Hsu, University of Wisconsin - Whitewater \_\_\_\_\_

**Where Streams of Research Related to Role Variables, Market Orientation, and Vertical Exchange Relationship Intersect: A Research Proposal** \_\_\_\_\_ **134**

Patrick D. Fountain, East Central University - Oklahoma \_\_\_\_\_

Gene Brown, Bloch School of Business \_\_\_\_\_

John F. Tanner, Jr., Baylor University \_\_\_\_\_

**How Good is Online research?: A Comparison of Alternative Communication Based Data Collection Methods** \_\_\_\_\_ **137**

Madhav N. Segal, Southern Illinois University - Edwardsville \_\_\_\_\_

**Prediction of Monetary Donation: A Structural Modeling Approach** \_\_\_\_\_ **138**

Kuan-Pin Chiang, Long Island University - Brooklyn Campus \_\_\_\_\_

**SALES, ADVERTISING, AND PROMOTIONS****Changes in Organizational Commitment for Sales Force Newcomers: An Exploratory****Look at Early Employment Influences** \_\_\_\_\_ **140**

David H. Rylander, Texas Women's University \_\_\_\_\_

**Asymmetry of Commitment and the Sucker Effect: Salesperson Ethics in  
Common Agency** \_\_\_\_\_ **147**

Lawrence S. Silver, Mississippi College \_\_\_\_\_

Bryan Hayes, Mississippi College \_\_\_\_\_

**MARKETING EDUCATION** \_\_\_\_\_

**A Final Look at the Sales/Customer Orientation of Students in a Small Personal  
Selling Class** \_\_\_\_\_ **149**

Jeff W. Totten, Southeastern Louisiana University \_\_\_\_\_

Sandra McKay, Southeastern Louisiana University \_\_\_\_\_

Mike Jones, Southeastern Louisiana University \_\_\_\_\_

**Integrating Accounting into the MBA Core Marketing Core Course:  
The Marketing Implications of Activity-Based Costing** \_\_\_\_\_ **156**

Lawrence Silver, Mississippi College \_\_\_\_\_

Terry Grant, Mississippi College \_\_\_\_\_

**The Design and Delivery of Effective Web-Based Instruction: An Analysis of  
Faculty Concerns** \_\_\_\_\_ **158**

R. Nicholas Gerlich, West Texas A & M University \_\_\_\_\_

LaVelle H. Mills, West Texas A & M University \_\_\_\_\_

**Competitive Learning: Beyond Project Based Classes** \_\_\_\_\_ **164**

Mary Ann Stutts, Southwest Texas State University \_\_\_\_\_

Vicki West, Southwest Texas State University \_\_\_\_\_

**Pricing Strategies Over Alternative Distribution Channels: A Spreadsheet Student  
Assignment and Classroom Exercise** \_\_\_\_\_ **166**

Kimball P. Marshall, Loyola University New Orleans \_\_\_\_\_

Michael M. Pearson, Loyola University New Orleans \_\_\_\_\_

**STUDENT PAPERS** \_\_\_\_\_

**Development of Transportation and Freight Forwarding Services Market in  
Ukraine in Transitional Period** \_\_\_\_\_ **169**

Sergiy Spivakovskyy, Graduate Student at Hofstra University \_\_\_\_\_

**AUTHOR INDEX** \_\_\_\_\_ **174**

# THE CHALLENGE OF SOCIAL MARKETING: CAN PUBLIC HEALTH PROMOTIONAL EFFORTS COMPETE IN THE MARKET

*Michael A. Weininger, University of Texas, School of Public Health*

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## *Abstract*

*Superbly executed private sector marketing usually renders public health messages ineffective. This conflict calls for more harder hitting creative efforts by public health practitioners. "If you can't beat them, join them" is partially true--join in technique, resist in message. Otherwise, public health messages will continue to fail.*

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## INTRODUCTION

### **What is Social Marketing?**

Social marketing is not a condition, a disease nor a health matter. It is the underlying process of communicating a health message successfully to a person or group in need of the curative or preventive value of the message. Andreasen (1997) emphasizes that it is "not about education and propaganda" nor is it "mass marketing" (pp. 6-7). Social marketing is a comprehensive way to convey, to a selected target audience, the point of your health suggestion such that the receiver(s) may well heed the advice.

The major obstacle and frustration in health promotion has been in the delivery and acceptance levels of the message by the public. Social marketing began in the field of international family planning working to improve high blood pressure education (Andreasen, 2001). With the occasional exception of smoking and tobacco usage, the public health social marketing record of success has been dismal. The reason for this is that public health professionals are competing with marketing professionals from the private sector who have developed and finely honed advertising approaches that are light-years more effective and sophisticated than approaches used in conventional health promotion and education.

Two forces endanger the public health field. The first is the medical model of health and the second is by commercial interests capable of tremendous influence on the purchasing patterns and personal behavior lifestyle of the public. Public health is outspent, out researched, and out maneuvered by the medical field and private business interests. Public health promotion must focus on countering the private sector challenge to public health. Seigal and Doner (1998) posit social change as the outcome/product of public health. The mission of public health is to market social change. Marketing change is the same as marketing commercial products, and although it may be more difficult, the principles and approaches are the same.

However, public health faces a unique marketing dilemma. Unlike the commercial sector of the economy that discards products/services perceived as unwanted by the population, public health's products and services carry a known negative demand. Siegel and Doner write that

The public health practitioner's fundamental task of marketing social change is a unique challenge for three reasons: (1) the unfavorable state of individual and societal demand for social change, (2) the hostile environment in which social change must be marketed, and (3) the limited training of public health practitioners in the skills necessary to market social change. (p. 31)

Therefore, the challenge for public health is to recast the issues of importance into a framework meaningful to the particular target population of interest.

### **DEFINITION OF SOCIAL MARKETING**

Social marketing calls for a renewed public health self-definition. Alan Andreasen (1995) gave a good definition of social marketing:

Social marketing is the application of commercial marketing technologies to the analysis, planning, executing, and evaluation of programs designed to influence the voluntary behavior of target audiences in order to improve their personal welfare and that of their society. (p. 7)

A leading public health text describes social marketing as “a framework within which program planners, developers, implementers, and evaluators can apply knowledge, theories and techniques to effecting population-based changes in health behavior” (Glanz, Lewis, and Rimer p. 401) in order to deliver a structured and effective campaign applying health behavior for health improvement.

The social marketing approach will enable public health practitioners to plan, develop, implement, and assess programs that research indicates may be most successful in influencing attitudes and behavior in a community. This includes cost-benefit analysis as seen from the health consumers’ perspective, and the adoption of a health oriented mix of product, price, promotion, place, and partners (which is a fifth marketing “P” added for social marketing usage).

### **The Role of Target Marketing**

The emphasis now is to determine which specific subgroups in the society have detectable needs and wants that marketing efforts can met. This is called target marketing. It is essential to limit a target population in order to determine the appropriate features of the product/service and the channels of distribution. Commercial marketing devotes considerable resources towards conducting marketing research studies (called formative research in health education). Public health needs to devote the same attention to researching population needs.

As a side observation, reference to the word ‘population’ has a strong epidemiological meaning in public health. It studies the population base for patterns of disease, injury, and demographic data on degrees of wellness and illness. However, unlike marketing’s use of the term population, the ‘needs’ of the population are not sought nor understood. Marketing focuses on needs and wants, and has developed sophisticated methods for extracting and measuring them. The field of public health has yet to develop the means of understanding their populations so that a modern and effective communication can assist people in improving their health by changing their behaviors.

### **Consumer Orientation**

Marketing begins by focusing on the consumer, explicitly seeking to understand what wants to fill and how to attract the consumer’s attention to the product/service. Professional marketers operate differently from medical professionals, including public health practitioners, who tend to believe they know what is best for the population and proceed to proscribe (lecture) the public on what to do. This is not an effective approach, at any time, but especially so when their advice is unattractive, unwanted and burdensome.

The health message, campaign, or program frames the desired behavior change of the target population towards the offered product/benefits. In order to attract attention to these products/benefits, the frame must refer to one or more of the core values held by the target group. These core values include freedom, independence, control, identity, rebellion, fairness, economic opportunity, and democracy. Once health promoters realize that these core values are the relevant influences important to the objectives of the target group, instead of end results such as a healthful life style, or good diets, then public health will have created the opportunity to successfully compete with private commercial marketing.

## PLANNING FOR SOCIAL MARKETING

This paper offers a four stage marketing strategy. First is public health surveillance, where the problems are identified, behavior changes noted and the target population defined. Next is formative research, which entails identification and analysis of the target group's wants and core values as well as assessing the current unhealthy behaviors satisfying those wants and values. Third, is strategic marketing, where the health benefit is recast or framed in terms of the target population's values and delivered to them as an attractive and more compelling alternative than is offered by their current behavioral choice. Lastly, the assurance or evaluation stage includes process monitoring and outcome evaluation together with a reassessment of the initial strategic approach.

Often public health practitioners, on their own, develop an idea for a program and immediately proceed toward implementation. These programs usually fail. Missing is the disciplined and thoughtful planning necessary for determining the factors essential for a marketing campaign. Parallel to this omitted stage is the critical formative research (market research) penetrating the motivations and current behaviors of the groups in the community. Formative research guides the search for target market groups. Lastly, the means of assessment are often oriented towards immediate outcome evaluations that suggest little about long-term behavioral change.

Weinreich (1999) presents a "hand-on" guide for all the steps necessary to develop and implement a social marketing activity. Her guide is a good practitioners manual for public health mid-level administrators. Another trade-oriented text, by Earle, describes how to practice cause marketing while offering very graphic examples. This text would also be very useful for mid-level public health practitioners.

Much more powerful is process evaluation, which either continuously or periodically monitors the campaign making adjustments as necessary. Because social change is dynamic and unpredictable, process evaluation may be more interactive and realistic for social marketing motivated programs than for traditionally focused programs.

Smith (1997) offers constructive criticism towards three problems he views as limiting the potential of social marketing. There is "too much advertising", too much "reliance on focus groups" and "too little science" in the practice, market research and sales of social marketing techniques (p. 23).

Smith posits four core competencies for social marketing that may be very useful for understanding the fundamental grounding of social marketing. The four are exchange theory, competition, segmentation by lifestyle, and marketing. Marketing is but one of four.

## A HARD SELL

The perceived hard (even when quite soft) tone of marketing can be unattractive to most current students and practitioners in public health. This may be due to the personal and professional dislike for private sector values, especially as it influences health care and wellness. There may well be a psychological aversion to marketing due to its intimate association with profit seeking.

In addition, the profession of public health continues to insist on developing and maintaining a body of underlying principles and values on which there is no compromise. However, marketing is essentially a compromising endeavor, seeking whatever will be effective, free from precepts and absolutes.

Siegel and Doner (1998) believe the correct vision is to foster social change and they challenged the field by claiming public health "has lost a unified vision of its fundamental role and mission" (p. 73). Public health personnel may feel threatened and annoyed by this point of view. Public health professionals are long overdue in their desire to neutralize private commercial interests in the struggle for the public's attention by using the very techniques that so successfully influence human behavior

On the positive side is a beautifully written chapter by Dholakia and Dholakia (2001), two development-marketing professors. They value the potential of social marketing and note the obstacles coming from economic development and social change. They offer three broad reaching suggestions to the field. The first is to upgrade the linkages “among economic development, social change, and marketing processes” (p. 500); second, “social marketing needs to be reconceptualized in the transformed setting of globalization, pervasive marketization, and cultural changes that are eroding received ideas of modernization and modernity” (p. 501). The third challenge is to integrate social marketing into “the broader range of social change theories, techniques, and practices,” given that social marketing has had a managerial orientation, “it needs a greater understanding of socio-cultural processes” (p. 501).

### GLOBAL APPLICATIONS OF SOCIAL MARKETING

The rest of the world is shifting to an “evidence-based” health promotion (EBHP), now that the World Health Organization (WHO) has endorsed development of this approach in 1998 (Nutbeam). EBHP appears to be similar to social marketing as understood in the U.S. Both require a comprehensive approach based on target population needs and research (survey) based evidence of probable outcome success. Similar to current expectations in the private business sector, public health program design requires accountability and responsibility. Underlying use of the term “evidence” is an effort to objectify goals and make explicit all assumptions about the health promotion (Rada, Ratima and Howden-Chapman).

A recent article laments the improper use of social marketing “because no one first tried to understand the audience” (Rotfeld 1999, p. 119). Rotfeld adds that advertising can only change attitudes, and that attitudes are most influenced by potential outcomes of importance to the specific audience, not necessarily by an objectively worst outcome possible or threat of adverse consequences.

Stead and Hastings (1997) criticize and object to advertising, especially social advertising as the dominant form by which social marketing is expressed. They reject the claims that social marketing is intangible and immutable. They insist social marketers not be encumbered by past forms and must be open to changing the offerings and incorporate the ever evolving “concepts of exchange and consumer orientation” (p. 40).

To further their argument against the dominance of social advertising with social marketing, Stead and Hastings list five categories of problems. They are as follows:

1. Social advertising obscures the basic marketing concepts and neglects the nonpromotional elements of the social marketing mix.
2. The use and practice of social marketing is restricted.
3. Distracting interdisciplinary arguments are generated.
4. Social advertising blames social marketing for the limitations and misapplications of social advertising.
5. Ethical doubts about advertising are transferred to social marketing. (p. 30)

These five points strongly advocate researchers and practitioners maintain focus on the powerful basic concepts of marketing and to continue developing creative and flexible approaches towards behavior change.

Jernigan (1999) gives examples of powerful private sector corporate marketing by liquor companies who after examining the promotional programs in Malaysia, Zimbabwe and Estonia, found them knowingly marketing to addicted drinkers, to the poor and to young people, using sexually explicit and culturally inappropriate imagery, and making claims that alcohol is healthy or possesses medical properties, that alcohol gives you energy, and that strong alcohol is better.

These companies use global images such as prestige, success, and sexual prowess, to attract new drinkers, to increase current user consumption, and to suggest drinking as a means to friendship and personal success. Combined with “vast resources, regional dominance, and sophisticated marketing technology built up through years



of experience” (Jernigan 1999 p. 62) these companies are formidable opponents for public health practitioners. Jernigan recommends collective action by drinkers, alcohol suppliers, national and local governments, the international community such as the International Monetary Fund and WHO, and non-governmental organizations. Given the conflicting agendas and priorities, it is doubtful if such a coalition will emerge. Better to learn from the successful techniques of the alcohol industry and develop programs with the same or more attractiveness to life-style values that will attract usage of non-alcoholic beverages.

An example of a study on how to use public service announcements to encourage condom use among female college students, by focusing on excess drinking. Treise, Weigold, Gotthoffer, and Prolman (1999) conclude with the following recommendations:

By encouraging people not to drink irresponsibly. Second by attacking the notion that drunkenness is an acceptable excuse for irresponsible behaviors. Third, by warning people about the many dangers they place themselves in when they drink. And finally, by encouraging lifestyle options that do not involve alcohol in the first place. (p. 93)

An interesting study by Westwood and Westwood (1999) made a content analysis of newspaper articles on health issues in Australia. They divided the articles into public health or the medical model of reporting, according to the frequency of reporting, content, stakeholders, and tone of reporting across five topic areas of policy/politics, workforce and education, gender/ethnicity/age/SES, geographic, and treatment rehabilitation facility. By a two to one ratio, medical model stories reported with a positive tone and public health stories reported with a negative (or bad) tone. The average person less easily conceptualized public health subjects, whereas the medical model topics were more tangible and identifiable to the same readers. In addition, the public health stories were issue-oriented items, and the medical model were person-oriented items. The conclusion is that public health and promotion practitioners must learn “to turn these reports into ones which promote a positive image of public health, raise public awareness and convince governments of the value of allocating resources to public health measures” (p. 63).

Bakker (1999) compared cartoons versus written messages about HIV upon adolescents who have different levels of a variable named “need for cognition” (NFC). The NFC relates to individual styles of thinking and learning, not necessarily to educational levels. That low-NFC adolescents reported a greater attitude change when viewing cartoons and high-NFC adolescents’ attitudes responded more to written messages, suggests to the social marketer, that “tailored messages to adolescents’ intrinsic motivation to engage in and enjoy thinking” (Bakker p. 151) needs to be considered when developing programs with this population group.

A study favorable to social marketing focuses on utilizing a formal Continuous Quality Improvement (CQI) system in order to help achieve health promotion goals and to anticipate possible government (Canada) mandate for use of CQI by health promotion agencies. Kahan and Goodstadt (1999) outline the three components of CQI that contribute to maintaining focus on the social marketing (or evidence-based health promotion) model. These are attention towards customer satisfaction, use of a scientific approach, and development of teams (multi-perspective) for development and implementation of program. Although CQI and social marketing do not perfectly overlap, CQI would have a positive influence and impact upon the process.

Jayanti (1997), a marketing professor, offers the idea of two market segmentations based on an individual’s problem recognition style of “desired state types” such as wanting to avoid future illness and “actual state types” such as seeking medical help when he has a health problem. The former types are usually well informed on health issues and the latter types are much less so. The author finds that combining health promotion efforts for both types is futile, with each group responding to different health prevention messages.

Gore et al. (1998) took an approach different from that of Jayanti. They sought the most persuasive messages for getting mothers to comply with their children’s immunization schedule. The most effective messages, in order of importance, focused on fear arousal, feeling of motherhood, and rationality. Attention was on the message for a single targeted population. Jayanti, on the other hand, looked to segment different target populations for use of similar messages.

### EXAMPLES OF APPLIED SOCIAL MARKETING

Stephenson and Witte (1998) found use of fear messages in promoting behavior change toward skin cancer effective when combined with a high efficacy prevention treatment. Early studies found fear merely frighten or discouraged constructive acts to remedy the health danger. This study used a new fear appeal theory—the Extended Parallel Process Model (EPPM) that “has clarified the role of fear in persuasive messages by emphasizing and respecifying the multiplicative relationship between threat and efficacy” (p. 151). In addition, EPPM is effective in motivating behavior change. The model uses four message values—severity, susceptibility, response efficacy, and self-efficacy.

The study combined a high fear message about skin cancer and death together with a clear message on skin sunscreen and clothing. The study used a two by two design with high and low efficacy messages combined with a text only and a text-picture combination. The high threat/fear message followed by a high efficacy message motivated a high initial behavior change. However, the high threat/fear message followed by a low efficacy message lead to individuals regarding the message as manipulative and derogatory towards the message itself. Finally, Stephenson and Witte found no difference between the text alone and the text-picture copies. They conclude that with young educated people, fear appeal messages have a role in prevention.

On the other hand, a recent study on the evaluation of a skin cancer prevention program for child care centers, found a weak change in attitude and behavior toward use of protective measures against the sun (Crane et al. 1999). This study used factual, non-fearful messages and workshops for day care providers to protect the children by use of sunscreen and proper clothing. The study was based on self-evaluation and yielded only an increased knowledge and awareness, but limited behavioral changes. A short and simple intervention such as this one led to a heightened awareness of the problem, but little behavioral change.

A classic article on health promotion effects of lifestyle risk factors directed towards 11 and 14 year olds in a school setting reveals very little impact upon the children (Baxter et al. 1997). Interventions at the primary and secondary level included a) focus on the effects upon the body of smoking, b) use of peer-led health education) ad hoc extra activities dependent upon the available staff enthusiasm, including healthy eating days and an eating club. The results after a three-year study period were poor. Testing for active smoking, passive smoking, whole meal bread consumption, low fat spread consumption, low fat milk consumption, and exercise three or more times weekly reveals very little to no maintenance by age 14. The authors cite four explanations for this. First, given the short time of the intervention and the particular lifestyle of 11 to 14 year olds, external factors played a more influencing role on their behavior. Second, very little additional resources were available at the schools to maintain the initial promotion. Third, the intervention looked at the best practices of the local health promotion professionals, and not towards evidence-based data for effectiveness. Fourth, the influence of tobacco industry marketing and advertising campaigns overwhelmed any government effort to counter smoking behavior. Overall, the study noted the need to understand better the “existing knowledge of effectiveness of lifestyle interventions in children” (Baxter et al. p. 236). They also call for whole school community interventions instead of school-based work alone. This study and the effort expended for the initial promotion seem to have been naïve in expecting any meaningful conclusions. The above justifications explain nothing nor do they suggest anything operational for further study and action.

### ETHICS AND SOCIAL MARKETING

Social marketing can take two ethical positions. One position considers itself exempt from normal ethical requirements because of the overall “good” the message points to. Because of this outcome, when successful, some social marketers believe they can withhold portions of the facts so as to better entice and attract behavioral changes. Therefore, if the message purposefully omits some known side effects from the message, this school of practice is content to accept as a worthy deed, any successful, regardless of the means taken to accomplish it.

On the other hand, there are practitioners who possess the opposite view. For these people, social marketing must adhere to an ethical standard superior to that of normal marketing because of the high moral objectives they seek--no hypocrisy in presentation. As Andreasen (2001) points out, “it is hard to argue that one is on a noble quest if one is using ignoble means” (p. vii).

Rothschild (2001) draws distinctions among the uses of law, education, and marketing. Each is the result of an organization's management philosophy and each attempts to change behavior. He defines marketing as "messages that attempt to inform and/or persuade a target to voluntarily behave in a particular manner" (p. 18). Marketing is the attempts "to manage behavior by offering positive reinforcing incentives and/or consequences in the environment". (p. 19). Law "refers to the use of coercion to force desired behavior, or to threaten the use of punishment to discourage inappropriate behavior" (p. 19). Rothschild points to these three options as the major vehicles an organization can use to convey its messages. He rests with the conclusion that each of these three choices has the "potential to be efficient and effective.... each can provide a different tradeoff of free choice and externalities" (p. 33). He posits that marketing may be the most ethical and effective of the three because the law may be coercive and education may be ineffective.

Hall (2000) also believes marketing can be ethical. He separates advertising from marketing, viewing advertising as a subset of marketing. Marketing is the "focus of creative ethical consideration and an essential part of the mission of a healthcare organization" (p. 73). Hall notes that marketing of health care is taking two paths. One is the professional model of altruistic principles and the other is the commercial model selling goods and services for a profit (p. 60). He concludes with the call "that advertising should present helpful information and not take advantage of human frailties (p. 75).

### CONCLUSION

Discussion of the above research shows efforts to understand the attitudes motivating behavior change by distinguishing between groups of people and between types of messages. In order to make use of this research, the health promotion practitioner, to survive in today's competitive world, must develop a sophisticated system, richly integrating internal and external knowledge together with an unyielding focus upon the actual needs and wants of a defined group, all of which is expected to foster behavioral change. Without the resulting change, the exercises and expenses undertaken will have little value and the organization conducting them will face serious budgetary challenges from sponsors—government or private.

A problem may exist within the field of marketing itself. Some scholars believe in a cognitive view of buyer behavior versus a behaviorist view. If so, then there is no hope for public health promotional efforts because the majority of people (at least in the U.S.) already know what is healthful and what is not. They ignore what they know is best for numerous reasons. To inform and to remind the public about health is necessary, however, to persuade is the key challenge to social marketing for public health issues.

The field of public health also has conflicts. Sections of public health are so overwhelmingly committed to their work that they ignore all the other legitimate interests and problems people face on a daily basis, similar to the dangers of when marketers fall in love with their product. Opportunities are lost when this occurs. Other sections of public health focus on methodological concerns and have limited to no skills in public communication. Lastly, public health has not leveraged the terrible events of 9/11 by seeking from the political decision-makers additional support for their work. Notwithstanding, public health personnel and academics are unaccustomed to the tough arenas of the market and politics where aggressive and well-crafted ideas compete for survival and supremacy.

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# EUROPEAN CONSUMER AND TRADE PERCEPTIONS OF TRAVEL SINCE SEPTEMBER 11, 2001

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## *Abstract*

*This research was completed to determine what effect the events of September 11, 2001 had on European travel consumers' and tourist organizations. Data were collected in March and April 2002. Analysis of the data revealed that the tragic events of September 11, 2001 were not likely to affect future vacation plans.*

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## INTRODUCTION

The tragic events of September 11, 2001, had a major impact on travel. Many consumers were initially fearful of traveling anywhere, and flying seemed out of the question. Initially, airlines drastically cut back on the number of flights and "mothballed" hundreds of planes. Some carriers went out of business completely (SwissAir, MetroJet). Other airlines had major financial difficulties (United, USAir). The US Government bailed out the airline industry by doling out \$10 billion in government-backed loans and making some \$5 billion more available in outright grants in an attempt to keep the industry afloat (Becker, 2001).

Despite the US government response, several airlines are either in or considering bankruptcy. Thus, the crisis cost many people their jobs. It is estimated by The World Travel and Tourism Council (WTTC) that between September 11, 2001 and March 2002, over 10 million travel industry jobs were lost worldwide, more than 660,000 of them in the USA alone (Travel Trade Gazette, 2002). Overseas markets didn't fair much better, for example, Great Britain saw a 25 percent decline in tourism revenue in October 2001 as compared to the previous year. In just three months, the events of September 11, 2001 led to an estimated loss of some \$600m in tourism revenue. (O'Riley, 2002). The WTTC also suggested that the impact of September 11, 2001 showed a decrease of 7.4% in global travel and tourism demand (Weinstein, 2002).

The primary reason offered by virtually all analysts is that tourists are afraid to travel. The purpose of this paper is to analyze in greater detail the assumptions that tourists are reluctant to travel for vacation purposes due to the events of September 11, 2001.

Short of conducting several surveys in many countries, empirically testing these assertions is very difficult. In order to overcome these difficulties, the researchers decided to obtain the perceptions of (1) potential tourists (consumers) from a European country and (2) members of a specific travel (trade) community in relation to travel since September 11, 2001. Obviously, a survey of potential tourists is an essential element in any research in this area. However, obtaining a more organizational perspective was considered relevant too. Tourist organizations not only promote tourist destinations, but they must also be aware of tourist concerns. For this reason, it was decided to solicit the perspective of trade organizations as well.

## METHODOLOGY

### **Individual Tourist Data**

A survey instrument directed at tourist concerns, including safety and the effects of terrorist activity was developed. There is little prior quantitative research in this area, so the questionnaire was developed specifically for this study. The survey instrument was a questionnaire consisting of seventeen questions (including demographic questions) designed to measure German consumer perceptions of various travel destinations. In keeping with

accepted practice, the questionnaire was developed in English, translated into German, and then back translated into English. In order to assure that there would be no translation errors, this whole process was done a second time with completely different translators. Additionally, the questionnaire was pre-tested for relevancy and validity with a set of bilingual subjects. At each stage, corrections were made to the questionnaire. Not all of the seventeen questions were specifically related to the effects of September 11, 2001 on travel. The survey instrument can be examined in Appendix A.

The European country selected for the research on consumers was Germany. Some of the reasons for selecting Germany were: (1) the German tourist is quite used to traveling to distant lands for holidays (and business purposes); (2) they get more holiday (vacation) time than most other countries in the world; and (3) they have the resources to travel.

### **Survey Implementation**

The researchers felt that the best way to complete the research on potential travel consumers was to interview German tourists at the International Tourism Exchange-Berlin (ITB). The International Tourism Exchange (ITB Berlin) is known throughout the world as the leading trade fair for the global tourism industry. Its leading position as an international meeting place is underlined by the fact that more than three-quarters of its exhibitors and just under 30% of trade visitors come from outside Germany. This makes ITB Berlin the main forum for communication and marketing for the worldwide tourism sector, attracting more exhibitors and trade visitors every year (International Tourism Exchange, 2002). In 2002, ITB recorded a total of 131,866 visitors, almost 69,000 of which were consumer (versus trade) visitors. Of the 9,682 exhibitors at ITB, 7,320 were not German (International Tourism Exchange, 2002). Considering the sheer size of ITB, it is able to provide the German travel consumer with valuable information on most major countries in the world. The tragic events of September 11, 2001 affected not just US citizens and companies, but those of other countries too. Travel businesses throughout the world suffered a reduction in business. Consequently, the attendees at the ITB were just as likely to have been impacted by September 11th as were other potential travelers.

Trained interviewers were stationed near the general public desks of two different European country (Lithuania and Northern Ireland) booths at ITB. These two countries were selected because the researchers had received prior permission from the director of the Lithuanian Tourist Board and the head of Tourism-Ireland booth to gather data for this research project. The ITB does not allow anyone to gather any data during the show without prior written permission from one or more exhibitors. Interviewing was done during selected time periods throughout the entire three consumer days of the ITB.

The interviewers asked persons leaving each of the two booths if they would be interested in participating in a short survey. Those that agreed were then asked to respond to the seventeen questions on the questionnaire. Therefore, overall, this research used a randomly selected convenience sample since not every person attending ITB had an equal chance of being selected.

### **Tourist Organization Data**

The tourist organizations selected for the research on trade were Regional Tourism Officers (RTO) in Northern Ireland. Some of the reasons for selecting RTO's are (1) Regional Tourist Officers have extensive contact with other tourist organizations, including hotel associations and other tourist 'vendors', as well as considerable contact with tourists themselves; (2) RTO's in Northern Ireland have been involved in various tourism activities for an average of eight years; (3) Northern Ireland has experienced various forms of terrorism for many years, thus making Northern Ireland RTO's experienced in tourist perceptions of terrorism.

### **RTO Questionnaire**

The survey instrument was a structured questionnaire consisting of thirty two questions (including demographic questions) designed to measure RTO perceptions of various aspects related to the current state of tourism and travel. This questionnaire was developed to facilitate an in-office interview. Therefore, in several instances, more than one question was answered during one part of the discussion. That is, the researcher asked a

specific question but the answer was directed not only at that issue, but related issues covered by other questions in the questionnaire. In order to avoid repetition, if a question had already been answered, the researcher moved on to another question not yet addressed. Not all of the thirty two questions were specifically related to the effects of September 11, 2001 on travel.

### **RTO Survey Implementation**

First, the RTO's in Northern Ireland were sent letters requesting their participation in the study. After a two week period of time, the researcher contacted each of the potential participants to see if they would participate and to set up a mutually convenient appointment. Each of the five RTO's agreed to participate in this study. In addition, the Director of Regional Tourism for the Northern Ireland Tourist Board (NITB), who also has extensive experience in this field, agreed to participate.

The researcher then completed all of the in-office interviews with each RTO and the Director of Regional Tourism at the NITB. These interviews were completed over a three week period in Spring 2002. Each interview was tape recorded and later transcribed for easier analysis.

## **ANALYSIS AND RESULTS**

### **Individual Tourist Data Results**

A total of 217 usable questionnaires were collected and analyzed. No statistics were collected on those potential respondents that were asked to complete the survey and refused to answer. As can be seen from Figure 1, our respondents traveled extensively, with the mean number of trips taken the previous year at 4.7.

**Figure 1**

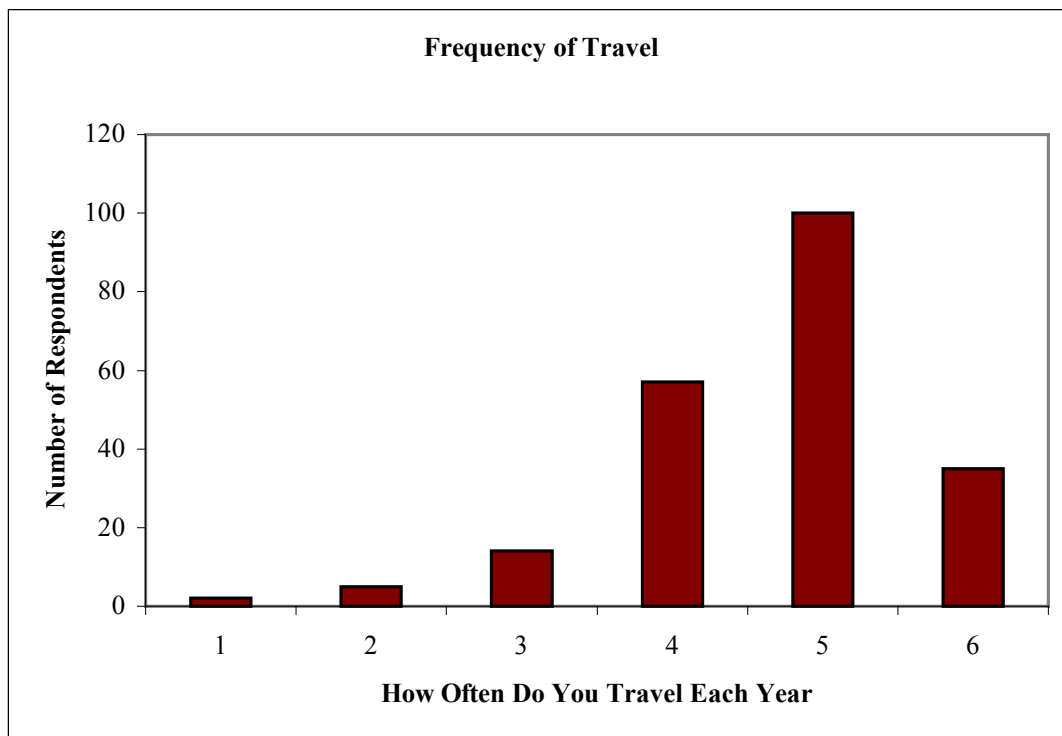


Table 1 shows that of the total number of respondents who indicated that they had traveled at least once last year, only 13 responded that they did not feel safe because of the incidents of September 11, 2001 in the United



States. Forty-two respondents indicated that they were somewhat affected by the events of September 11, 2001, but that they were still willing to travel. Seventy-four percent (158) of the respondents indicated that the events of September 11, 2001 had no effect upon their future travel plans in general.

**Table 1**  
**Effects of 9/11 on Future Travel Plans**

Frequency of Travel	Did the events of September 11, 2001 in United States affect your decision to travel in the future?			
	Yes, I do not feel safe traveling	Somewhat, but I am still willing to travel	Not at all	Total
At least twice per month	1		1	2
At least once per month	1		4	5
At least once every two months	2	1	10	13
At least once every three months	7	7	43	57
At least twice a year	1	25	72	98
At least once a year	1	9	28	38
Total	13	42	158	213

Note: Table numbers do not total to 217 because of missing values.

Another point of interest was whether the events of September 11, 2001 affected future travel plans of German male travel consumers differently from the German female travel consumers. As can be seen from Table 2, there were no significant differences between males and females.

**Table 2**  
**Effect of 9/11 on German Male Travel Consumers versus Female Travel Consumers**

Gender	Did the events of September 11, 2001 in the United States affect your decision to travel in the future?			
	Yes, I do not feel safe traveling	Somewhat, but I am still willing to travel	Not at all	Total
Male	7	20	82	109
Female	6	24	75	105
Total	13	44	157	214

No significant differences in responses to this same question could be found when the respondents were segmented by marital status or age (see Tables 3 and 4). Variables such as traveling alone, with children, or with spouse/companion yielded similar results.

**Table 3**  
**Effects of 9/11 on Future Travel Plans on Consumers of Various Marital Statuses**

Marital Status	Did the events of September 11, 2001 in United States affect your decision to travel in the future?			
	Yes, I do not feel safe traveling	Somewhat, but I am still willing to travel	Not at all	Total
Married	4	18	64	86
Divorced	1	4	9	14
Partnered	3	7	30	40
Never Married	4	14	56	74
Total	12	43	159	214

**Table 4**  
**Effect of 9/11 on Future Travel Plans of Various Age Groups**

Age	Did the events of September 11, 2001 in the United States affect your decision to travel in the future?			
	Yes, I do not feel safe traveling	Somewhat, but I am still willing to travel	Not at all	Total
Under 30	5	10	40	55
31 to 44	2	13	63	78
45 –64	4	20	41	65
65 and over	2	1	15	18
Total	13	44	159	216

These results are discussed further in the Conclusion section below.

#### **Tourist Organization Data Results**

Based on the reports written after September 11, 2001 most people in the industry anticipated a precipitous drop off in the number of tourists and the amount tourists spend. As noted earlier, Great Britain experienced a major reduction in the amount of money spent during the Fall of 2001. Therefore, the researchers anticipated hearing a similar pattern from the Regional Tourist Officers in Northern Ireland. However, that was not the case.

Of the five respondents, three stated that there had been no real impact from the events of September 11, 2001 on the level of tourism activity in their area. Each of them indicated that fluctuations in tourist numbers were due to the competition that exists between various tourist destinations, rather than a tourist fear of travel. These are experts in their field with considerable customer and operator contact. If this view is correct, it directly contradicts the expected results.

Two of the respondents agreed that September 11, 2001 had been instrumental in reducing tourist numbers. In particular, they both ascribed the decline in tourism to a decline in the number of people coming from the USA. One added that although the number of tourists had declined, the amount spent by tourists was not significantly lower. This means that although fewer Americans are traveling to Ireland, those that do and the tourists from other countries are spending more than they have in the past. The interesting aspect of this is that tourism from the United States is sensitive to economic as well as "political" variables. If the economic situation in the United States improves, the level of US tourism overseas may improve also.

One respondent straddled the fence, commenting that there had been a small decline in the number of tourists, especially from the USA, but he could not be sure that this was not just a seasonal blip. These results are discussed further below in Table 5.

**Table 5**  
**Regional Tourism Organization Directors Responses**

Respondent Experience	Have you noticed any change in your work resulting from the 9/11 tragedy?	Do you think consumers see tourism differently since 9/11?
7 years	"Well, we changed a bit but not that much"	"I haven't seen it"
10 years	"Consumers had to get information to help them to decide to stick with the original plans"	"A lot of hoteliers are saying to me that is not the case, there are still Americans traveling to Europe"
9 years	"Not in the work,... people are still tourists"	"I don't think people see tourism differently, they see traveling differently"
3 years	"Yes and No! Certain hotels have seen a decrease in bookings"	"I think they do but they have short memories"
5 years	"Yes, the loss of big airlines since 9/11 has been a problem"	"Hard to say. No, overall"
7 years	"Yes in terms of travel patterns from the US"	"Yes, in terms of their willingness to travel"

The results of this research were quite surprising. The initial premise of most commentators was that the events of September 11, 2001 would have had a longer lasting negative effect upon German (and other countries') travel consumers' future travel plans. Based on the results of both the individual and the organizational surveys, that does not appear to be the case. In effect, the results of this study indicate that European tourists and Irish tourist destinations do not foresee negative long term consequences from the tragic events of September 11, 2001.

These results are good news to the travel industry. It means that German travel consumers are very willing to travel. The tragic events of September 11, 2001 did affect some consumers' travel plans; but as of March 2002, most German travel consumers are not letting those events affect future travel plans.

The results of the study suggest that tourists and travelers are more robust to bad news than tourism analysts and commentators think they are. An informal on-line survey conducted on the CNN website on July 5, 2002 showed that 91% of their respondents would not change their travel plans as a result of the shooting at Los Angeles International Airport (CNN, 2002). If these results could be duplicated in a more rigorous study related specifically to terrorism, this would be excellent news for the travel industry. It would imply that with time, most consumers will try to return to their normal consumption patterns. Obviously, they will be more safety conscious in their preparations, planning, and the trip itself. Additionally, the current economic climate and the sharp declines in the US stock market that have occurred these past few months are also contributing to problems experienced by the travel industry. This is very important to the US Tourism industry, because tourists from Europe are not traveling to the US in the same numbers that they did prior to September 11, 2001 (Swick, 2002).

The results from the RTO's was, in some ways, even more surprising. These tourism professionals have extensive contacts with hotels and travel companies. Their experience of the recent past indicates that the events of September 11, 2001 had much less of an impact than almost all commentators predicted. Based on their opinions, it is possible that the tourism industries throughout the world will recover more quickly than once feared.

### CONCLUSION

Additional research is also needed to explain why travel consumers are now willing to travel. Are the events of September 11, 2001 now distant in their minds, has the shock worn off, have travel consumers become more fatalistic in their attitudes, or is it some other reason? The devastating effects of this tragedy upon the travel industry, the recovery process, speed of recovery, and final structure of this industry will be an important topic not only for future marketing researchers but also for class and case discussions in business schools.

The implications of this research seem to indicate that German consumers are willing to travel even after the horrific events of September 11, 2001. While German travel consumers were not directly affected by the events of September 11, 2001, Germans in general are very experienced travelers, and travel more than most other nationalities. Therefore, this research is very important to not only the German travel industry, but also to many other travel industries around the world (including the US).

Further follow-up research on the actual travel habits of German travel consumers over the next several years would be helpful to understand if they did actually travel as much as they suggested they would in this current research.

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# ATTRIBUTIONS ABOUT LIFE EVENTS AND PERCEPTIONS OF FOREIGN PRODUCTS: CONTRASTS IN INDIVIDUALISM AND COLLECTIVISM

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## ABSTRACT

One topic largely understudied in the marketing literature is that a life event that occurred in a foreign country may serve to constrain and influence attributions of consumers in different cultures. This paper examines how consumers in differing cultures perceive a life event and attribute causes to it, and how such perceptions and attributions affect perceptions about products from the foreign country where the life event occurred. Attribution theory, in particular Weiner's view (1985, 1990, 2000), is used to compare the attribution processes of consumers from different cultural backgrounds, namely individualist and collectivist cultures.

A life event disrupts or threatens to disrupt an individual's usual activities and may induce psychological or health-related problems. Consumer perceptions about a life event and subsequent behavior can be very different, depending on the cultural background of the consumer. Different cultural orientations could instigate consumers to produce unique ways of perceiving, interpreting and reacting to the event. In individualist cultures, individual autonomy, self-aggrandizement, personal goals over group goals, and the unique internal attributes of an individual are emphasized. To the contrary, empathy with social norms, group goals over personal goals, and harmony between members are stressed in collectivistic cultures. People in individualist cultures also tend to choose an option that maximizes their individual interest. For example, Americans favor a product only when the product is superior to other products regardless of the country origin of the product. In contrast, people in collectivist cultures, are more likely to exhibit more intimate and subordinate social behaviors toward their ingroup members and more dissociative and superordinate behaviors toward outgroup members. This can be seen by Japanese consumers favoring their own products over products from the U.S., regardless of product quality.

Attribution theory, which tries to understand 'why' a life event occurred, has not received much attention in international consumer behavior research. In the social psychology literature, people in individualist cultures have been addressed to make more references for the causes of a life event to personal dispositions, whereas those in collectivist cultures tend to attribute the causes of a life event to contextual or situational influences (Morris and Peng 1994; Lee, Hallahan, and Herzog 1996).

To understand consumer attributions about a life event and the subsequent consumer perceptions about products from the country where the event occurred, we use Weiner's (1985, 1990, 2000) attribution perspectives of locus, controllability, and stability. We contend that differing cultural backgrounds of consumers from individualist and collectivist cultures will affect attribution patterns in terms of the locus, controllability, and stability of a life event. People in individualist cultures are more likely to attribute of the causes of a life event to individual responsibility and controllability (Anderson 1999; Norenzayan, Choi, and Nisbett 1999). However, as seen in Morris and Peng (1994), and Lee et al. (1996), people in collectivist cultures tend to attribute the causes of a life event more to contextual factors that are not under the direct control of the individual.

It is also maintained that attributions made about individual responsibility about a life event may tarnish the image of the foreign country and its products where the event occurred because people in individualist cultures would tend to relate the causes to the lack of the country's ability to deal with the

event. On the other hand, people in collectivist cultures are more likely to consider the causes of the life event to 'inevitable' or 'uncontrollable' factors, which may have little impact on their perceptions about products from that country. As people in individualist cultures are not generally influenced by the social norms, values and thoughts of others, they have greater flexibility in their opinions and can easily change their perceptions and behaviors (Hofstede 1997). In collectivist cultures, however, harmony with society is emphasized, and individual opinions tend to be predetermined by the group. The individual's conception of self is viewed only in the context of a social relationship (Anderson 1999). We therefore posit that perceptions of consumers would be more transitory and changeable in individualist cultures than in collectivist cultures.

The following comparisons summarize key differences between consumers from individualist and collectivist cultures in terms of their attributions about a life event and their perceptions of product quality.

	<u>Individualist</u>	<u>Collectivist</u>
Attribution Causes	Dispositional factors Internal causes Controllable factors	Contextual factors External causes Uncontrollable factors
Evaluation Extremity	More negative	Neutral
Product Quality Effects	Greater changes Less permanent	Little or no change More permanent

This paper examined the impact of individualism and collectivism on attributions about a life event that occurred in a foreign country and the consequent differences in consumer perceptions of products from that country. Different cultural orientations generate unique attribution patterns of consumers and exhibit varying perceptions of products from the foreign country where the event occurred. By introducing the concept of life events to the study of consumer attributions and perceptions about a product's country of origin, this paper enriches the consumer behavior research and extends attribution theory to the international context.

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# **MANAGER ATTITUDES AND GLOBALIZATION: BENEFITS AND OBSTACLES TO GLOBALIZATION AS PERCEIVED BY MANAGERS OF COMPANIES WITH VARYING DEGREES OF GLOBAL EXPERIENCE**

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## **ABSTRACT**

Kedia and Mukherji (1999) issued a call for managers to effect a transition from domestically oriented defenders of their local markets to globally-oriented integrators who can utilize appropriate skills and knowledge to increase their organizations' global business activities. While their article details a taxonomy of manager orientations to globalization, they do not examine actual managers' perceptions of the benefits of and obstacles to initiating or increasing the global activities of their firms. This study examines the experiences and perceptions of managers of firms with considerable dependence on global activities and those of firms with little to no global sales and purchasing activity.

A mail survey was sent to 200 firms in the Texas Panhandle. These firms engaged in businesses ranging from retail through service and manufacturing industries, and ranged in size from small local and regional firms to large, global concerns. Fifty of the surveys were returned as undeliverable: for twenty of the surveys the addresses could be corrected and the surveys were sent again. Of the 170 surveys that went to valid addresses, 48 were returned. Of these, 44 were usable surveys, yielding a response rate of 26%. The four unusable surveys represented blank surveys returned by organizations that felt they had no opportunity to pursue global business activities because of the nature of the firm's business activities. Late respondents were compared to early respondents on the independent and dependent measures of the study to detect any hint of response bias, but there were no significant differences between early and late responders. The makeup of the 44 respondents reflected the nature of the original sample well with firms in retailing, service and manufacturing represented.

While the study was designed to investigate the extent of global sales and purchasing activities, the author feared that asking for annual sales and purchases would depress the response rate for the study. As a result respondents were asked to indicate the percent of sales and purchases represented by global activities. These responses were coded to reflect the significance of the impact of these activities on the firm's total sales and purchases. Respondents who indicated 0 to 4% of sales or purchases accrued from global activities were coded category 1, 5 to 19% category 2, 20 to 60% category three, and over 60% category 4. Respondents were also asked to indicate the extent of global sales or purchasing activities by checking any or all of the following seven areas: Canada, Latin America, Europe, the Middle East, the Far East and Australia. Seven 5-point Likert-scaled questions assessed respondents' attitudes about the opportunities represented by global business activities, the threats of such activities and their perceptions of their ability to handle the challenges of global business management. Responses to these seven questions were summed to create a global measure of manager attitude.

Recoded sales and purchasing were regressed on the summated attitudinal measures. The results exhibit highly significant relationships between sales and purchases and managerial attitudes. Attitudes accounted for 54% of the variation in global sales and 15% of the variance in global purchases. It would be overstating the results to claim that more positive attitudes lead to greater levels of global sales and purchasing because the directionality of the effects is somewhat difficult to pin down. Certainly, those firms that have experienced positive results on sales and purchases from global activities in the past are quite likely to be more positive in their perceptions of the benefits to be accrued from such activities, more positive in their confidence in their ability to take advantage of such opportunities, and more negative in the risks that they associate with such endeavors. Still, it is clear that those firms with little or no global business activities have much more negative attitudes toward global opportunities than firms with more significant global sales and purchases. It is not, therefore, unlikely that these negative attitudes are

central to the decision of some firms to postpone or forego entry to foreign markets.

A final regression examined the extent of foreign operations and manager attitudes. This regression was equally significant, with attitudes accounting for 35% of the variance in extent of foreign operations. In short, this study revealed that the more positive the manager's attitudes toward global business opportunities, the more extensive the firm's global activities. This study also included open-ended questions that asked the managers to express their perceptions about the greatest obstacles that existed to entry into foreign markets (the question for firms that had little to no experience) or their perceptions of the areas where they still did not know enough to take full advantage of global opportunities (asked of firms with significant global activities). The author found some interesting patterns in an analysis of the managers' responses.

Among both experienced and inexperienced firms, language problems were most often cited as obstacles to seeking further business opportunities abroad. The next most common response was problems with the financing of foreign sales and purchases, followed by legal issues, especially in terms of understanding and utilizing contracts and licensing arrangements. There was also concern in both types of businesses about finding cost effective shipping alternatives. Finally, the respondents, whether experienced or novice, shared concerns about various marketing difficulties from how to find the areas with good potential customers to finding selling agents and advertising in global markets.

Kedia and Mukherji (1999) proffer a taxonomy for the different mind-sets that managers go through as they enter global markets and expand the extent of their involvement in these markets. This study suggests that more empirical work is needed to determine how the mind-sets of managers in the first three stages truly differ from each other and from those managers who have attained integrator status. If it is increasingly important for managers to become more open to the challenges of global business and more capable of meeting them, then research that delineates the differences between these stages can provide models for the development of attitudes, perceptions and skills by managers to meet these challenges.

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# THE CHANGING ENVIRONMENT OF *CHAEBOLS* IN THE REPUBLIC OF KOREA: SOME IMPLICATIONS FOR INTERNATIONAL MARKETING

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## ABSTRACT

*The purpose of this paper is to consider the changing policy of the Korean Government concerning chaebols and the impact of this changed policy on global business organizations wanting to buy into this organizational form as it is being privatized. To the degree there are similarities across the Korean chaebols, the Japanese keiretsu, and the privatizing Chinese formerly state-owned companies, the implications of the events surrounding Daewoo Motor Company and General Motors in the Republic of Korea would likely apply to these organizational forms as well. Some of the social effects of these changed Korean Government policies towards chaebols are also considered.*

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## INTRODUCTION

Daewoo Motor Company declared bankruptcy in November 1999 and was put under court receivership. Creditors put Daewoo up for sale and a new management team was put in place to run the company. Several potential foreign buyers including Ford, General Motors (GM), Daimler-Chrysler AG of Germany, and Hyundai Motor Company of the Republic of Korea (hereafter Korea) were interested (Business Korea 2000). Ford won sole rights to negotiate for Daewoo with a US\$7 billion nonbinding bid, but withdrew its offer after gaining access to Daewoo's books (Kraar 2000). That left only the GM and Fiat consortium interested since the DaimlerChrysler-Hyundai joint venture also withdrew. The bidding for Daewoo Motor ended in September 2001, when GM signed a preliminary agreement to take over two of the five manufacturing plants in Korea, two overseas plants, and 22 overseas sales and marketing subsidiaries at a price of US\$400 million (Hau 2001a).

During the negotiation process, the Korean labor union leaders, Daewoo Motor union members, and laid off workers protested violently against the sale of Daewoo Motor to a foreign company, fearing that it would cause massive layoffs. The labor problem had been a major obstacle as these protests often result in the closure of plants, causing substantial economic loss and social instability.

The purpose of this paper is to consider the changing policy of the Korean Government concerning *chaebols* and the impact of this changed policy on global business organizations wanting to buy into this organizational form as it is being privatized. To the degree there are similarities in characteristics across the Korean *chaebols*, the Japanese *keiretsu*, and the privatizing Chinese formerly state-owned companies, the implications of the events surrounding Daewoo Motor Company and GM in Korea would likely apply to these organizational forms as

well. Some of these characteristics include cross-ownership or management within a network, ties to the same funding source(s) and/or governmental entities, and supply chain or market ties within the group. When taken together, these characteristics often provide formidable barriers to market entry for competitors. Some of the social effects of these changed Korean Government policies towards *chaebols* are also considered.

## BACKGROUND

Daewoo Motor Company was an affiliated company of the Daewoo Group *chaebol*. Daewoo Group expanded into the auto industry in 1978 through the acquisition of the 50% stake held by the joint venture GM Korea, and a 50-50 joint venture owned by Shinjin Motor Company and GM. In 1983, the company name was changed to Daewoo Motor Company (Phillips 2000a).

Daewoo Motor had manufacturing plants making cars, trucks, buses, engines, and transmissions in twelve countries in Asia, Eastern Europe, and the Middle East, along with five auto plants in Korea. The total annual manufacturing capacity was 2.25 million vehicles. The company employed about 50,000 workers overseas and 15,700 in Korea. Besides its manufacturing plants, it also had a global network of sales and marketing operations.

Daewoo Motor had been very aggressive in expanding its operation through acquisition, even after the Asian monetary crisis in 1997. While the company has a somewhat stylish product line designed in Europe, competitors rushing into developing countries and other factors kept demand for vehicles from developing (Kraar 2000). Due to reduced demand and overcapacity throughout the auto industry and a debt-financed expansion strategy (among other reasons), the company's net worth had fallen to a negative US\$10 billion in 2001 (Hau 2001b) with debts of US\$18 billion (Shin 2000). The actual total debt is still not certain and may include hidden debts from international operations (Colvin 2000; Kraar 2000).

Although the collapse of Daewoo Motor was triggered by the Daewoo Motor's union's refusal to cooperate in cutting 3,500 jobs and allowing the closure of unprofitable plants, the actual cause may have been heavy borrowing in anticipation of developing demand supported by the belief that Daewoo was simply too big to be allowed to fail and would be bailed out by the Korean Government (Kraar 2000). However, when anticipated government support (and consumer demand) did not materialize, the company was declared bankrupt and placed into court receivership in November, 1999. The bankruptcy had a worldwide effect. As Daewoo has manufacturing plants and sales networks in many overseas countries, the job-cut wave spread to its overseas operations and 9,300 contractors (Lopez 2000; Detroit News 2000).

### Daewoo Motor Company's Relationship with GM

As mentioned above, Daewoo Motor and GM had a joint venture relationship from 1978. However, management conflicts and a decline in profits caused by cultural and strategic differences (including disagreements about the scope of Daewoo's expansion), as well as product quality problems, ended their partnership in 1992. Daewoo Motor took over GM's stake for US\$170 million (Phillips 2000b).

The 25 years of joint venture relationship has left GM and Daewoo sharing many commonalities in engineering and manufacturing processes. GM management practices are still important to Daewoo because about 100 Daewoo engineers and marketing executives were trained in the U.S. at a GM facility in Flint, Michigan. Daewoo engineers still hold GM-style "product planning committee meetings" and the plant managers still use GM manufacturing lingo such as "SOP" meaning "Start of Production" (Phillips 2000b).

### Korean Government's Role

In the past, the Korean Government had been very involved in directing the economic development of the country and in developing strategic industries (i.e., the auto making and shipping industries). Preferential policies towards domestic businesses and preferential loans from government-owned banks were provided to nurture the country's export-oriented economy in a form of state capitalism. In order to protect and nurture domestic industries, trade barriers were erected (i.e., high tariffs and strict product specifications for imported goods). Therefore, there was a very close tie between these strategic industries and the Government.

Since the financial and monetary crisis of 1997, the International Monetary Fund has been demanding that the Korean Government carry out economic reforms. The dismantling of Daewoo Group, the second-largest *chaebol* in Korea, was seen as the most significant move made by President Kim Dae Jung in reforming the country's economy and the *chaebols*. Allowing Daewoo to fall signified a change in the Government's economic policy from bailing out those financially troubled *chaebols* to forcing them to restructure and sell off non-core businesses. Actively inviting foreign direct investment and lowering entry barriers signaled the Government's desire to change the business culture of Korea by increasing the competitiveness of Korean industries (Schuman and Lee 1999).

The Government-run Korea Development Bank, Daewoo Motor's main creditor, was the main negotiator for the GM-Daewoo deal. The Government preferred to have a foreign company take over Daewoo to improve competition in this market because the Korean Hyundai Motor Company, although formerly interested in acquiring Daewoo (in a 50-50 joint venture with DaimlerChrysler which owns ten percent of Hyundai), already owned more than two-thirds of the domestic auto market after acquiring Kia Motor Company (Shin 2000). Korea's Financial Supervisory Commission was also indicating that a domestic company taking over Daewoo would hurt the global competitiveness of Korean automakers (Business Korea 2000). The Korean Government seemed to be taking this opportunity to show its determination to restructure the economy and change Korean business practices by introducing foreign competitors into the country.

### **Korea's Auto Market**

The Korean auto market is the world's eleventh largest car and truck market and the seventh largest auto producer in the world (Phillips 2000c). It is also the second largest in Asia after Japan's auto market. The Korean domestic auto market is dominated by three domestic makers: Hyundai, Kia, and Daewoo. It is effectively a closed market, with foreign car sales only accounting for 0.19% of 1.29 million vehicles sold in Korea in 1999 (Lee 2000a). In 2000, the sales of foreign cars increased slightly to 4,400 units, 0.40% of total market sales (Lee 2001a).

While the formal import barriers for foreign cars were somewhat bureaucratically troublesome, informal barriers seemed to be even more difficult to overcome. The long history of foreign invasions and occupations instilled a strong nationalism in most Koreans. After World War II, Korea determined to rebuild its economy through exports. "Buying Korean" is regarded as a patriotic act. Buyers of luxury imported goods were publicly denounced as traitors. Drivers of imported cars were frequently harassed and unattended imported cars vandalized.

One survey showed that nearly half of the 200 domestic luxury car owners who responded avoid imports for fear of "dirty looks" and 70% expressed the concern that buying imports would lead to greater social disparity. Moreover, owning a foreign car is viewed as an invitation for a government tax audit (Lee 2001b). Therefore, Korean consumers would prefer to buy "Made in Korea" than foreign brands, even though the quality of the imported goods is better. While this is not truly ethnocentrism since they are buying local brands for pragmatic reasons knowing that other (foreign) products are of higher quality and may even be a better buy, it is still important for GM to keep the Daewoo "Korean" brands in order to obtain a share of the local market.

Overall, the recent government effort to open up the domestic auto market yielded only a marginal result. The domestic automakers still dominated the market due to Korean consumer perceptions regarding buying imported goods.

### **Competition in the Korean Auto Market**

In 1997, there were five domestic automakers in Korea: Hyundai, Daewoo, Kia, Ssangyong, and Samsung; by 2000, there were only three: Hyundai (which bought Kia), Daewoo (which bought Ssangyong), and Samsung (which was taken over by France's Renault). DaimlerChrysler has a 10% stake in Hyundai, which was part of the strategic alliance deal between DaimlerChrysler and Hyundai (Lee 2000b). Thus it would appear that there has been substantial consolidation in the industry and an increasing presence of foreign automakers through acquisition and strategic alliance.

The Korean automobile manufacturers rely on low prices and comparatively more generous service and repair contracts to compete in the overseas markets. However, their products are perceived to have lower quality compared to their overseas competitors. This lower product quality appears to be one result of a lack of competition in the home market. Further, quality expectations are not as high among Korean workers as they are for workers from the United States and Japan (Phillips 2000a).

### **Negative Feelings Toward Foreign Takeovers**

Some Koreans feared that the auto industry that they had built from scratch would become merely a subcontractor of foreign automakers if Daewoo was sold to foreigners. Giving up national control of such a strategic industry was also believed by many to be harmful to the country (Lee 2000b). With foreign automakers increasing their acquisition of the domestic automakers, the whole industry was thought to face substantial downsizing as the result of massive layoffs and the importing of foreign parts. Moreover, incentives for R&D was thought to be negatively affected due to potential centralization of R&D resources.

### **Daewoo Motor's Work Force**

The Korean work force is productive and well-trained. As workers are accustomed to lifetime ("iron rice bowl") employment practices, the notion of a layoff is almost unimaginable to them. Job security and physiological needs (i.e., base pay) are greater for the Korean workers than for their U.S. counterparts. The Korean workers also have a greater need for co-worker support (Elizur et al. 1991). This suggests that they are more collective, which may be partly the result of a Confucian cultural tradition and lifetime employment system, and thus the opinion of individual employees is likely to be easily influenced by coworkers. Consequently, there will be more consensus opinions among the workers.

The perception that foreign companies such as GM treat layoffs as a common and purely business decision and weigh labor as something of a "non-human" factor of production makes the workers feel insecure about working in a foreign-owned company. Fearing that a takeover by a foreign company would lead to plant closures, massive layoffs, and the installation of American-style management, Daewoo Motor's official union leaders strongly opposed GM's bid for the company (Solomon 2001). Some union workers demanded the Government either nationalize Daewoo (as the biggest creditor was the state-owned Korea Development Bank) or sell it to a local company, but under no circumstances, according to the union, would the workers support handing it over to the foreigners (Kirk 2001a).

The union also worried that the domino effects of plant closure would severely damage the local economy. For example, the oldest and least productive Puyong plant in Incheon, Korea supported one of every five of Incheon's 2.6 million residents. Closing the plant was seen as an economic and social catastrophe.

There were many violent protests about these issues by both union workers and laid off workers during the negotiation process; students and other activists also joined the union workers in these job actions. Violent protests outside the manufacturing plants caused plant closures, and anti-GM workers also vandalized Daewoo Motor's main office building in Seoul (Solomon 2001). The widely publicized use of force by the Korean police to violently suppress these protests triggered nationwide public anger towards the Government (Treece and Gadacz 2001).

On the other hand, Daewoo office workers rallied to demand a stop to union protests against GM's takeover (Atlanta Journal and Constitution 2001). A poll conducted by the white-collar workers union and the Recovery Committee for Daewoo Motor showed that the majority of Daewoo Motor's employees supported the idea of a foreign buyer (Soloman 2001). The workers that would remain in the new GM-Daewoo were supportive of the takeover. It seemed that actually only the laid off workers, those to be laid off, and the union leaders were against the foreign takeover, suggesting a pragmatic division of opinion towards the GM takeover among the workers: the white-collar workers, non-union members, and those who still have jobs were supportive of GM's takeover, while the strongest opposition was from those union and non-union workers whose job was threatened and the union leaders.

But overall the anti-foreign sentiment was so strong that when the preliminary agreement was signed, the laid off workers from the Korea Confederation of Trade Unions protested violently outside the headquarters of the Korea Development Bank. So far, 8,300 Daewoo Motor's employee positions have been eliminated, some 38% of the total work force (Kirk 2001c). The Puyong plant, where most of the militant union members are housed, was not included in the takeover deal, significantly reducing union pressure on GM.

Interestingly, Daewoo's collective bargaining agreement with the union gives the union approval rights for any major asset sale. But they say that they are not opposing the deal in principle even though there is not much good will between the union and GM (Chon 2002).

### **Criminal Charges Against Former Daewoo Group Management**

The collapse of Daewoo Group uncovered mounting debts, which led to a government investigation. While covering up debts is viewed as a common business practice in Korea (Kirk 2001a), 34 former executives and accountants were indicted for misleading creditors and altering records to conceal Daewoo Group's debt. Financial mismanagement involving inaccurate and incomplete financial records and debt-financed expansion are among the major reasons Daewoo Group collapsed. In fact, GM finalized its deal only after obtaining full access to, and examining the financial records of, Daewoo Motor.

The Group Chairman and founder Kim Woo Choong fled the country to escape prosecution for various financial crimes (Kirk 2001b). Daewoo Motor's workers believed that the former chairman was responsible for the collapse of the company. The once admired visionary became a fugitive that Daewoo workers were eager to hunt down (Lee 2001a).

### **General Motors' Strategy**

GM's Asian expansion strategy involves equity tie-ups and joint ventures with a broad range of automakers (e.g., Suzuki and Isuzu). The acquisition of Daewoo would allowed GM to gain access to the closed Korean auto market and this production base in Korea could also be used as a stepping stone to enter the emerging China market with GM's ultimate goal to challenge the Toyota-Daihatsu-Hino group for leadership in Asia (Anonymous 2001; Phillips 2000c). GM's presence in the Asian market would be immediately strengthened by the addition of 22 overseas sales and marketing subsidiaries (which include sales arms for China, South America, and Western Europe), and its global sales and marketing network strengthened. And, the acquisition of the R&D division would allow GM to obtain Daewoo's minicar and subcompact vehicle technology, a market where Daewoo has a competitive advantage.

GM may be able to use Daewoo's low priced cars to fill gaps in its U.S. product mix as GM has been losing money and market share with its U.S.-made small cars for years. While GM expects major growth in Asia over the next ten years, it has not been able to introduce models that match local preferences (White 2001).

GM insisted Daewoo Motor's creditors conduct layoffs during the negotiation process. By the time the preliminary deal was signed, there had already been a 38% cut in the work force as mentioned above. This procedure enabled GM to claim the deal would improve the job security prospects of the remaining 13,700 workers (Kirk 2001c).

## The Suppliers

Like most *chaebols*, Daewoo has a supply chain of about 230 primary suppliers, the largest of which are all Korean companies. It is likely that GM will consolidate the Daewoo supplier network and demand lower prices (Hau 2001a). Daewoo Motor still owes US\$1.2 billion to its suppliers. The suppliers previously suspended delivery until Daewoo Motor or its creditors promised to repay the debt in full, although suppliers did allow operations to resume so that there would be a going business to sell in the hope that at least some of their debt would be repaid. This suspension of supplies had caused the plants to shut down in the past (CNN.com 2001).

The latest suspension occurred August 28, 2002, just a month ahead of the planned October launch of the new GM joint venture, which will likely go ahead despite the lack of agreement among creditors about how losses are to be shared (BBC News 2002). Each lost production day reduces production by 2,000 cars and causes about US\$12 million in losses. The suppliers say they haven't been paid since June, and Daewoo says it can't make payments without creditor approval.

The Korea Development Bank is offering suppliers about US\$84 million of the US\$714 million suppliers say is due to restart deliveries (Kim 2002a; Len 2002). Creditors are also offering to change payment terms from four or five weeks after delivery to two weeks to help end the crisis (Kim 2002b).

The suppliers are being asked by creditors, who have spent US\$2 billion to keep Daewoo alive since 1999, to cut their claims in half. The suppliers say that would bankrupt some of them (Kim 2002b).

## The Deal

GM in a joint venture with Italy's Fiat SpA signed a preliminary deal in October, 2000 to take over Daewoo Motor's manufacturing plants in the Korean cities of Kunsan and Changwon (the most productive and modern facilities), 22 overseas sales and marketing subsidiaries, and factories in Egypt and Vietnam for US\$400 million (67% of the stake) (Hau 2001a; Shin 2000), as well as Daewoo's R&D division. It avoided buying most of Daewoo's debt-ridden plants overseas and the outdated, politically sensitive Puyong plant in Inchon, Korea (but agreed to buy its output including vehicles, engines, transmissions, and components for six years). GM will only take over about 44% of Daewoo's domestic production capacity and about 5% of its overseas production capacity.

GM would own the largest stake, but less than 50%, and the remainder would be taken by one or more of GM's affiliate companies. The new company would only assume about US\$320 million of Daewoo's more than US\$18 billion debt and no more than US\$510 million in regular operating liabilities, effectively shifting some US\$17 billion in debt to creditors and Korean taxpayers (General Motors 2002; Larkin 2001; Larkin and Kruger 2001; White 2001).

The creditors would invest US\$197 million for 33% of the stake and supply long-term working capital lines of credit of US\$2 billion (General Motors 2002; Treece and Guilford 2001). GM would keep Daewoo Motor's brands. While Daewoo would maintain its managerial independence, it will also be able to share GM's managerial, technical, and capital resources (Business Korea 2001a).

Overall, the takeover would greatly strengthen GM's competitiveness in the global minicar and subcompact markets. It would also provide the opportunity for GM to double its market share in Asia and to enter the closed



Korean market (Business Korea 2001b), but these events are occurring at a time when GM's U.S. market share is slipping and European operations are facing similar problems in an economically troubled world economy (Chon 2002; Larkin and Kruger 2001). Some analysts also feel that there is already overcapacity in the Asian small car market and note that GM already has a 20% stake in both Suzuki Motors, which makes minicars, and Fuji Heavy Industries, which makes Subaru cars (Larkin and Kruger 2001). And the on and off nature of the negotiations to buy Daewoo Motor has severely weakened Daewoo's market position in key markets.

GM plans to have most of the existing key management positions remain in the new venture. However, the GM management style may need to be modified to avoid clashes due to different management and national cultures. One of the reasons for the previous breakdown of the GM-Daewoo partnership was the conflicts in management cultures, including ethical considerations. Some business practices viewed as corrupt and illegal by the U.S. managers are seen to be common and normal business practices by their Korean counterparts. For example, as noted above, covering up debts is viewed as a common business practice in Korea (Kirk 2001a).

Decisions in Korean businesses are usually made by senior management and directions are communicated downward for implementation indicating limited worker participation and limited two-way communication. There is a clear power distance between the seniors and the juniors, thus drawing distinct divisions between the management class and the labor class. This may be one of the underlying factors leading to the development of strong and confrontational labor unions. In this cultural environment there may also be little direct communication between the management and the workers.

#### DISCUSSION

The business environment in Korea is quite different from that of the U.S. as businesses are operating in a more planned economy with a great deal of government intervention and much collaboration between companies and the banks (i.e., the creditors). Much of this collaboration would be illegal in the U.S.

Since the 1997 monetary crisis, many Korean businesses went bankrupt or to the edge of bankruptcy. The Korean Government and the banks have since then fueled the "recovery" of the economy by lending money to debt-ridden companies, with the Government committing as much as US\$120 billion to the effort. Therefore, the roles of the government and the banks are different from those in the U.S. The banks, as instruments of both social and economic policy, have "social obligations" imposed by the Government for the survival of the companies. As unusual as it might sound, a dozen Daewoo affiliates had been in court-ordered debt workout programs for more than a year without any significant asset sales. The creditors are taking a very supportive role because of their obligations to Korean "society" and, in fact, were making managerial decisions for Daewoo.

The takeover decision was made by the creditors and not the new management. In this case, the creditors determine, in concert with the Korean Government, who to sell Daewoo to and how to sell it, or possibly to let the new puppet management installed by the creditors continue to run the company. Therefore, the new management is only responsible for the operation of Daewoo under the creditors' direction and control with no real capacity to determine the future of Daewoo.

The main reason why new management was installed is that the former senior Daewoo executives were being arrested. The main concern of the creditors is how to recover most of their loans as they now have ownership and are managing the company. Consequently, given governmental and societal constraints, the focus of the creditors is what they can do with a bankrupt company like Daewoo that will allow them to get their money back and still satisfy the Korean Government at the same time.

Traditionally, Korea has a very active and strong labor union and heavy government intervention in business.

Businesses have to look to the Government in their business operation and development as the Government has much influence (e.g., as in whether companies can obtain loans from banks or not). The domestic competitor Hyundai could have created additional conflict for GM if Hyundai had made a serious effort to actually take over Daewoo rather than acquiescing to Government wishes, since the union would likely have supported Hyundai's bid. The union sees the future of Daewoo as a "struggle for the survival of their own workers and their nation" (i.e., Daewoo being taken over by foreigners is a blow to strongly held feelings of Korean nationalism and pride). However, Hyundai was constrained to follow the Government's wishes because of its dependence on governmental good will. Similarly, GM will find itself subject to greater Korean Government scrutiny, direction, and control in this market than it has seen in Western markets.

These stakeholders themselves have no or very little effect on what the creditors can do with Daewoo. However, their interests are directly affected by the decision made. In an Asian context, Confucian tradition and life in a high power distance society indicate that employees are supposed to follow management directions. Employees have little input into managerial decisions and they are seldom consulted as is their expectation. The shareholders, in this case, actually have no influence on the decision of the creditors as Daewoo is bankrupt.

It is possible that other *chaebols* may have some little behind-the-scenes influence, but the Government has removed official support from them and politicians and government leaders are distancing themselves from them, so the *chaebols* have very little power in the current political climate. *Chaebols* actually seem to be avoiding any involvement in the Daewoo situation to avoid calling attention to their own desperate economic situation. Business partners (suppliers) are generally of small size and will not have a voice in Daewoo's future; in some cases, they may actually be owned or partially owned by Daewoo due to the nature of a *chaebol* and may be at the mercy of the creditors themselves. The community and consumers will have no impact on decision making since they have no organized voice and no social or legal standing from which to launch a challenge. The car industry itself is a *chaebol* and, as noted above, is avoiding any involvement in the Daewoo matter.

The supply chain has already been disrupted and much good will lost as suppliers scrambled for other contracts to replace those not honored by Daewoo or simply folded. Many suppliers had ceased to supply Daewoo due to nonpayment, leading to production stoppages at Daewoo plants.

Downstream, auto dealers have faced product shortages on one hand and former customers worried about repair parts for their previously purchased autos on the other. Potential new customers are concerned about quality issues. In the U.S. market, Daewoo sales were forecast at 80 to 100 thousand vehicles for 2000, but actual sales were only 68 thousand vehicles, and sales are down some 20% in the first three quarters of 2001. By contrast, Daewoo's Korean competitors are gaining U.S. market share: Kia's sales are up 40% and Hyundai sales are up 35% in the U.S. (Maynard 2001). This places GM in the role of channel captain of a badly damaged network that will require much time and effort to restore the commitment and confidence of channel members and customers if this restoration can be done.

From a product marketing perspective, the Korean domestic auto market has a strong "Buy Korean" focus, even when foreign brands offer better quality. This seemingly irrational response is actually a rational response to Government and vigilante-style sanctions against those who do choose to buy foreign brands. However, one might wonder how these same consumers will view an automobile manufactured in Korea by Koreans at a factory now owned by a U.S. automaker in the face of rather vehement union opposition to foreign ownership of Daewoo.

If Daewoo's output is viewed as a "foreign" product, then it will likely face difficulties in the Korean market that will not be present if it is viewed as a "local" product. Ultimately, the question is whether the "GM" nameplate or the "Daewoo" nameplate would have the stronger brand equity in Korea and, perhaps, in the greater Asian and Chinese market. It may be that the GM attachment will have a negative impact on sales in the domestic Korean market and certain other Asian markets, but a positive impact in the overseas market since Daewoo brands are thought to have little brand equity in foreign markets (Maynard 2001).

## IMPLICATIONS AND CONCLUSIONS

To the degree there are similarities in characteristics across the Korean *chaebols*, the Japanese *keiretsu*, and the privatizing Chinese formerly state-owned companies, the implications of the events in Korea surrounding Daewoo Motor Company and GM would likely apply to these organizational forms as well. Some of these characteristics noted above include cross-ownership or management within a network, ties to the same funding source(s) and/or governmental entities, and supply chain or market ties within the group. When taken together, these characteristics often provide formidable barriers to market entry for competitors.

There is no certainty that even a GM, with its strong capital base, technological expertise, and marketing resources, can overcome the unique environment it faces in Korea as the owner of a former *chaebol*. If the union, suppliers, and potential customers see GM as a foreign giant with little concern for GM's culturally prescribed social responsibilities chipping away at Korea's sovereignty, and this does appear to be their perspective, they may consider having any favorable business relationship with GM an unpatriotic act. This could result in various events and decisions adverse to GM's success and reputation in Korea as well as its larger global market. In fact, it may be in this, and some other Asian markets, that country of origin is more important than brand name, quality, or price (c.f., Li and Murray 2001).

It is also unlikely that GM will receive financial and other support from Daewoo's *chaebol* network on terms that are as favorable as the failed Daewoo received. These factors taken together with the Korean Government's professed desire for hands-off reform of its domestic auto industry, even if the Government can do so politically in its sensitive strategic industries, do not suggest that GM will find great structural support from Daewoo's *chaebol* network which will effectively increase GM's operating costs and risk profile.

While Daewoo's management structure has been exposed to portions of the GM culture, this exposure tends to be more technical than managerial. Consequently, the corporate culture changes necessary for Daewoo if GM intends to instill its managerial culture successfully there will be a long-term, difficult process given the strength of the Daewoo union and their desire to maintain the safety of the status quo in an environment of less than full trust of the intentions of the new foreign ownership. The corporate culture change process is further complicated by differences in national cultures.

Although GM has considerable experience in the Korean market, it seems that they may have developed something of a competitive blind spot. Porter (1980) describes this phenomenon as "... areas where a competitor will either not see the significance of events. . . at all, will perceive them incorrectly, or will perceive them only very slowly" (p. 59).

Korean *chaebols*, the Japanese *keiretsu*, and the privatizing Chinese formerly state-owned companies all come with considerable baggage attached. This portmanteau includes governmental plans, policies, and aspirations, embedded supply network exchange expectations, and social and cultural phenomenon that seriously impact the ability of an entity, especially an entity foreign to Korea, Japan, or the People's Republic of China, to take the place of the principal leader in these networks. And, these factors appear to undercut GM's strategic plans for regional leadership in Asia and domestic leadership in Korea and, perhaps, risk harming its global brand equity.

Overall, while acquisitions and mergers in this environment seems to be a quick and relatively cheap way to enter foreign markets, especially emerging markets which are closed to some degree to foreigners by high entry barriers, this mode of entry would actually appear to come with many complications. While it would offer the key advantage of breaking down entry barriers, the strategy should only be exercised by marketing managers with a clear understanding of the disadvantages and sizeable barriers to success that may remain.

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# RURAL RETAILING: UNDERSTANDING THE MULTI-CHANNEL OUTSHOPPER

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## ABSTRACT

*Rural retailers face increasing competition from catalog and online outshopping. Multi-channel outshoppers tend to shop for lower ordered goods, such as groceries, locally. Outshopping occurred more often for higher ordered goods such as clothing and gifts. A significant number (42 percent) of the multi-channel outshoppers shopped all three channels. Multi-channel outshoppers did not enjoy shopping, had a positive view of outshopping, and had a negative view toward local retailers.*

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## INTRODUCTION

Retailing in the rural section of the United States is often difficult. Retailers are not only challenged by the decreasing population in rural areas, but also face stiff competition from nearby regional trade areas. Entrance of the discount retail chains captures retail trade from surrounding communities (Knotwell 1995). Increased mobility, cable TV, and more aggressive newspaper distribution has changed the nature and range of competition, exposing consumers to information and allowing them to shop in a wider geographical area (Ebenkamp 1997). Outshopping to these trade areas drain the profits from local retailers and sales taxes from an already diminishing economic base.

Typically rural customers may buy “lower ordered” goods (groceries and gas for example) from local retailers and travel to larger trade areas to purchase the remainder of their items (Seninger 1978). This is supported in a study of two rural Midwest communities that found convenience items (food, groceries, gasoline) and basic services (banking and repair services) are purchased locally (Brown, Hudspeth, and Odom 1996). Such preferences for shopping locally is advantageous to the local retailer until the consumer uses one-stop shopping behavior and buys as many goods as possible on the trip away from the local stores. Customers minimize shopping time and transportation costs by this one-stop shopping behavior (Forheringham 1983).

Outshopping opportunities for rural customers have always existed through catalog purchasing. Today, with the addition of online shopping, the threat to rural retailing is even greater. Store-based outshopping has a distinct disadvantage of time and convenience. Both catalog and online alleviate this concern with 24 hour shopping convenience. Convenience along with price comparison and a wide array of products increases the competition for the local retailers. Therefore, outshopping must be redefined for the rural retailer to include both catalog and online as well as store-based shopping behavior.

Most previous research has studied the store-based outshopper but not sufficiently examined the multi-channel outshopper who outshops using stores, catalogs, and/or online outlets. The purpose of this study is to examine the rural multi-channel shopper and discuss the implications for rural retailers.

## LITERATURE REVIEW

### Store-Based Outshopping

Outshopping is generally viewed as consumers purchasing goods outside their local trading areas. The outshopping phenomenon has been researched using different measurements and profiling variables. Earlier research

studies by Reilly (1931), Converse (1949) and Huff (1964) explored the characteristics of the markets, such as size and geographic distance, where outshopping occurred. Later work led to the development of outshopper profiles. Most of these studies found that outshoppers had higher incomes, fewer children living at home, had out of town charge cards, and negative attitudes regarding price or selection of local merchandise (Herman and Beik, 1968; Thompson 1971a; Thompson 1971b; Reynolds and Darden, 1972; Lillis and Hawkins 1974).

Other research directed at outshopper profiles suggests that outshoppers are clustered by frequency of outshopping (Reynolds and Martin 1974). Samli and Uhr (1974), for example, determined that individuals who frequently engaged in outshopping behavior were less satisfied with quality, selection, price, courtesy, product knowledge, ease of getting downtown, appearance and hours of local shopping facilities. In an additional study, Darden and Perrault (1976) proposed that outshopping was product specific.

Another variable that appears to be important in outshopping profiles is age. Papadopoulos (1980) found that age was negatively associated with outshopping behavior. This study also confirmed prior research concerning the positive relationship of income, education and tenure in the community and outshopping behavior. Sullivan and Savitt (1997) studied the effects of age and grocery outshopping. Their results concurred with prior studies that outshoppers are younger, have higher incomes and educational levels. A study of age on rural consuming indicated that the elderly (65 years and older) were more satisfied with local retailers than the late middle aged (50 to 64 years old) who exhibited more outshopping behavior (Miller, Schofield-Tomschin, and Kim 1998). The effects of gender and marital status on outshopping behavior were investigated in a study by Hopper and Lipscomb (1991). They found that most male outshoppers were unmarried while most female outshoppers were married. There were more female outshoppers but males were more dissatisfied with local prices than females.

Outshopping behavior is also influenced by inadequacy of local shopping facilities (Samli, Riecken and Yavas 1983). Additional literature (Hawes and Lumpkin, 1984; Anderson and Kaminsky, 1985; Dalal, et al. 1994) also supports this finding. Lumpkin, Hawes, and Darden (1986) continued the research by studying outshopping orientation. They found that "Active Shoppers" tend to outshop more often followed by "Thrifty Innovators." Miller and Kean (1997a) found that community involvement or desire to be involved negatively affected outshopping. They also found that consumers' level of satisfaction with interpersonal reciprocity was negatively associated with outshopping (1997b).

Finally, activity levels of rural residents, income, shopping enjoyment, socialization and trading area commitment have been found to be related to outshopping behavior. Miller, Schofield-Tomschin, and Kim (1998) found that rural residents with high activity levels were found to have stronger moral motivation and stronger inshopping intentions. Jarrat (2000), using path analysis, concluded that outshopping activity is directly influenced by variance in local trading area commitment, shopping enjoyment, income, and socialization. While the samples are not always clearly specified in the studies on outshopping, most indicate small to moderate size populations with a larger retail trade area nearby.

### **Catalog and Internet Shopping**

Despite decline in merchandise categories from 1998 to 2000, the overall number of consumers who shopped from catalogs increased by seven percent (Chiger 2001a). Early research on catalog shopping behavior indicates that catalog buyers report a higher family income and were more likely in families with young children (Reynolds 1974). Lumpkin and Hawes (1985) found that catalog shoppers were more likely to be female and married, and had a higher family income. Jasper and Lan (1992) found that frequent catalog shoppers were more likely to be older, better educated than other shoppers and perceive convenience as an important factor in their decisions to shop from catalogs. In another study, convenience was found to be more important to females than males (Eastlick and Feinberg 1994). Gehrt, Yale, and Lawson (1996) suggest that convenience has multiple dimensions including time, space, and effort for catalog shoppers. A study by Chiger in *Catalog Age* (2001b) indicates that convenience was the key driver for catalog purchases. Those with higher incomes (\$85,000 or more) indicated uniqueness of product was more important than catalog purchasers in the lower income (less than \$25,000).

Online shopping has grown remarkably in recent years. Forrester Research (2001) reported Internet sales to consumers totaled \$48.3 billion in 2000 and ActivMedia Research LLC (2000) predicts \$2,093 billion by 2005 for

online retail products. Almost half of all U.S. adults with Internet access now purchase goods and services online (Weiss, 2001). Weiss also reports that eight of ten top online consumers are predominantly married couples with children. Studies of online shopping behavior have examined convenience, income, marital status, accessibility, control and freedom and product selection as important determinants of Internet use. Thibodeaux (2000) suggests that higher income busy women, juggling career and family, use the convenience of the Internet to make their lives easier. Wolfenbarger and Gilly (2001) used focus groups to conclude that online shoppers like the convenience and accessibility of the Internet and have more control and freedom when shopping on the Internet. Product selection was important. Interestingly, participants mentioned product selection was important when many of the products they needed to buy would require them to drive relatively long distances. These focus groups also revealed that the lack of social interaction in the Internet purchase was desired. This may be a concern for rural retailers who often depend on the social relationships with their customers to create store loyalty. Another interesting aspect of online use is the website exposure. A study of rural consumers suggests that after exposure to retail websites, participants indicate a positive change in their attitudes toward Internet purchasing (Lokken, et al., 2000).

Several studies have revealed a high correlation between catalog and Internet shopping. *Direct Marketing* (2000) reports that affluent women with household income of \$50,000 plus, who shop from catalogs make four times as many purchases on the Internet as affluent women who do not shop catalogs. Chiger (2001a) reports that the more money people earn, the more likely they are to shop from either Internet or catalog. Younger consumers (18-25) were more likely to buy from the Internet than a catalog and baby boomers (36 - 50) are more likely to have shopped either channel. In addition, one study found that preference for online shopping is based on financial, time, and behavioral influences while catalog shopping tends to be based on experiential influences such as visual appeal and entertainment (Mathwick, Malhotra, and Rigdon 2001).

## METHODOLOGY

### Questionnaire Development

The study took place in a rural setting in the Midwest. The city used for the study has an approximate population of 20,000 residents with approximately 7,500 students (less than full-time residents) included. The closest trade area within the county is 10 miles away with a population of slightly over 18,000 with the largest major trade area being 60 miles away with an approximate population of 180,000. A questionnaire was developed from five focus groups of residents. The questionnaire was revised based on a pretest and was configured for both telephone and survey purposes. All participation was voluntary.

Nine categories of goods and services were selected to determine outshopping behavior. Lower order goods included groceries, gas/auto, banking, and personal services. Higher order goods included medical services, gifts, building/home improvements, and clothing and apparel. Outshopping behavior was measured using three standard scales. Five point Likert questions were developed using Hopper and Liscomb's (1991) Outshopping Scale, Hawes and Lumpkin's (1984) Attitude Toward Local Shopping Scale, and O'Guinn and Fabor's (1984) Shopping Enjoyment Scale. Demographic data were also collected such as household type, income, education, and age.

### Sampling and Data Analysis

The questionnaire was administered using two methods of data collection with the objective of reaching as many residents as possible. A local telephone book was used to develop the sample. This particular book categorizes all listing in three different sections, by name, by address, and by phone number. Using the telephone book, a random sample of 1200 was selection by taking every third name from the "address" page for calling purposes. By using this listing, a random sample from all areas of the city were selected. An additional 1926 names were selected for the mail survey using every 5<sup>th</sup> name.

The telephone survey was completed during four evenings. Approximately 1180 calls were made during this time period. There were 180 wrong numbers, 271 refusals, 646 no answers, and 146 usable questionnaires for a response rate of 12.4 percent. The mail survey questionnaire was mailed and yielded 294 usable questionnaires for a response rate of 15.3 percent. A t-test was performed for each scaled items for the mail and telephone surveys.



There was no significant difference between the two groups and respondents were combined for analysis.

The higher ordered goods of gifts and clothing were used to determine if a person outshopped from the local community. Respondents that shopped by store and an additional channel (catalog, online, or both) were characterized as *multi-channel outshoppers* yielding a total of 307 respondents for analysis.

### **Attitudinal Scales**

A principle components factor analysis was used to determine the appropriateness of the scales. All questions loaded with a .5 or higher to form the scales. Three scales were abstracted from the analysis B Shopping Enjoyment, Attitude Toward Outshopping, and Attitude Toward Local Retailers. All three scales rendered a .700 or better on Cronbach's Alpha Reliability, well above the level recommended for basic research (Nunnally 1978). Table 1 illustrates the factor loadings and coefficients for the three scales.

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TABLE 1 ABOUT HERE  
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### **Describing the Multi-Channel Outshoppers**

A majority of the multi-channel outshoppers shopped for lower ordered goods locally. This included groceries, gas and auto, banking, personal services, and restaurants. About one half of the multi-channel shoppers used local medical services and purchased building and home improvement products. Approximately half of the outshoppers drove 10 miles to a larger trade area for gifts and clothing and half drove 60 miles to a regional trade area.

Multi-channel outshoppers tended to be from age 36-65 and have incomes over \$50,000. Most were either empty nesters or had children under 18 in the home. A majority had college or advanced degrees. See Table 2 for demographic detail.

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TABLE 2 ABOUT HERE  
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Forty-two percent (131) of the multi-channel outshoppers shopped all three channels -- store, catalog, and online. Slightly over half of the multi-channels outshoppers (166) used store and catalog and only three percent (10) used store and online. Interestingly, over 22 percent (68) of the respondents did not purchase online but used the Internet for product information primarily for pricing information, availability of products and services, and to look for new products or services. Store hours and location information was used by approximately 36 percent of these information seekers.

Of the multi-channel outshoppers who did not shop online, 41 percent did not have access. Those outshoppers that did have access cited credit card safety as their primary concern with purchasing on line. Respondents that used catalogs primarily purchased clothing followed by books and gifts. Books were the most frequently purchased online product category followed by travel services and gifts. See Table 3.

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TABLE 3 ABOUT HERE  
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Multi-channel outshoppers were divided into two groups for further analysis -- those that use store, catalog, and online outshopping (125) and those that have Internet access but use only store and catalog outshopping (95). T-tests were used to determine if there were any differences between their attitudes toward outshopping, their enjoyment of shopping, and their attitudes toward local retailers. There was no significant difference in any of the three scales. In addition all means were below the midpoint of the scales. These multi-channel shoppers did not

enjoy shopping, had a positive attitude toward outshopping, and had a negative attitude toward local retailers. See Table 4.

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TABLE 4 ABOUT HERE  
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### **DISCUSSION AND MANAGERIAL IMPLICATIONS**

The analysis suggests that multi-channel shoppers mirror store-based shoppers demographically in terms of income and education. However, the type of household and age categories have expanded indicating that outshopping is extending to wider and more diverse populations. This is a threat to local retailers. The 24/7 convenience of catalog and online shopping opportunities decreases the major problem associated with store-based outshopping C travel to and from the trade area. Busy families can use the non-store environment to buy clothing and gifts without the time commitment necessary to travel to a larger trade area.

With increased Internet availability, online shopping is likely to increase. As noted by Chiger (2001a), baby boomers tend to shop both catalog and online. As the last of the baby boomers enter their high earning years, it is likely they will continue to outshop particularly using non-store environments. More threatening is the attitudes of these multi-channel outshoppers. They don't enjoy shopping, however, they seem willing to outshop through stores as well as catalog and/or online. They have a preference for outshopping and have a negative attitude toward local retailers.

The good news is that multi-channel shoppers still shop locally for lower-ordered items. The key for retailers is to prevent outshopping for products available locally. Providing products, easily and conveniently, will make it easier for the customers prone to outshop. Strategies such as ample parking, quick checkout, longer store hours, delivery, and online or telephone ordering will increase the convenience for customers. In addition, concerted efforts need to be continually focused on improving the variety of products offered in local trade areas clustered around "one-stop" shopping environments. Understanding the price sensitivity of customers will be important as some of these strategies may increase costs for the retailer.

Local retailers may want to provide additional information to customers through advertising, a store webpage, local trade associations, Chambers of Commerce, and other community functions. Let customers know what products and services are available. Begin an e-mail newsletter to remind shoppers of specials and new arrivals. Seasonal catalogs may be appropriate for the catalog browser that may shop locally if the products are available. Create value by using frequency marketing programs, appropriate service levels, and store practices such as customer friendly return policies.

### **LIMITATIONS AND CONCLUSIONS**

Due to the exploratory nature of the current study, further questions are raised. Will the amount of effort and resources expended change between store, catalog, and online for multi-channel outshoppers? Will they spend more money or simply switch methods of shopping? Will relationships between rural retailers and consumers change because of the multi-channel outshopping? Do outshoppers perceive online and catalog shopping differently? Is one method preferred over another based upon time concerns or shopping situation? Will store based outshopping decline as non-store increases? What factors will cause this to happen?

Additional research must be completed to answer these questions and determine a more accurate representation of rural outshopping in today's environment. The current study was limited to scales developed for store-based outshopping. New scales must be developed to determine greater insight into non-store outshopping. A broader sample would bring additional clarity to the findings as well. A longitudinal rather than a cross-sectional perspective will illustrate how users modify their shopping behavior as they increase their experiences of online shopping. Market segmentation may change as baby boomers age and younger consumers demonstrate their technological muscle.

With greater outshopping opportunities, rural retailers will find themselves competing in a larger marketplace than ever before. Not only are customers drawn to larger trade areas, but they can also find products from anywhere in the world and never leave their home. Rural retailers must be proactive. Programs such as Main Street are economic development initiatives based on partnering of retailers and other small business to produce a comprehensive strategy for increased productivity (Lawhead, 1995). While this strategy works well and should be encouraged, rural retailers must also look carefully at their own store strategies and customer outshopping behavior to insure long-term viability.

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**TABLE 1**  
**FACTOR LOADINGS**

Construct	Item	Factor Loading	Reliability
Shopping Enjoyment	I shop because buying things makes me happy.	.767	.8006
	I get a real "high" from shopping.	.765	
	Shopping is fun.	.690	
	I do not mind spending a lot of time shopping.	.672	
	I consider shopping out of town as "something to do" or "entertainment."	.627	
	I go shopping only when I have a reason to go.*	-.593	
Attitude Toward Outshopping	It is too much trouble to shop out of town.	.766	.7295
	It costs too much in time to shop out of town.	.701	
	I always shop where it saves time.	.564	
	Big city stores are too impersonal.	.533	
	I enjoy getting out of town to shop.*	-.519	
	Local retailers provide better services than retailers located out of town.	.518	

Attitude Toward Local Retailers	Local store offer you good quality for the price.	.688	.7000
	Local stores just do not meet my shopping needs.*	-.686	
	Local merchants offer a good variety of merchandise.	.659	
	Local prices are out of line with other towns.*	-.640	
	Local stores are never open when you want to shop.*	-.575	

\* reverse coded

Cumulative percentage of variance 42.65

**TABLE 2  
DEMOGRAPHIC PROFILES OF MULTI-CHANNEL OUTSHOPPERS**

	Multi-channel Outshopper		Multi-channel Outshopper
Age		Household	
Under 25	25 (8.2%)	Single Parent Family	16 (5.2%)
26 - 35	35 (11.4%)	Two Parent Family <sup>a</sup>	112 (36.5%)
36 - 49	110 (35.8%)	Single	71 (23.1%)
40 - 65	80 (26.1%)	Empty Nest	104 (33.9%)
Over 65	57 (18.6%)		
Education		Income	
Some high school	5 (1.6%)	Below \$20,000	22 (7.2%)
High school degree	39 (12.7%)	\$20,000 - \$34,999	40 (13.0%)
Some college	73 (23.8%)	\$35,000 - \$49,999	54 (17.6%)
2 year degree	17 (5.5%)	\$50,000 - \$64,999	63 (20.5%)
College degree	64 (20.8%)	Over \$65,000	98 (31.9%)
Advanced degree	104 (33.9%)		

**TABLE 3  
FREQUENTLY PURCHASED PRODUCTS THROUGH CATALOG AND ONLINE OUTLETS**

Products	Catalog n=297	Online n=141
Clothing Women	68.4%	10.7%
Clothing Men	40.7%	8.8%
Clothing Children	24.4%	4.9%
Gifts	48.9%	17.6%
Books	33.9%	22.8%
Home Furnishings	32.2%	5.2%
Computers	14.0%	9.1%

Sporting Goods	16.6%	8.8%
Travel Services	-	17.9%
Banking/Financial	-	5.2%

**TABLE 4**  
**COMPARISON OF OUTSHOPPERS' ATTITUDES**

Attitude Scales <sup>a</sup>	Store, Catalog, and Online Outshoppers	Store and Catalog Outshoppers
Shopping Enjoyment	2.78	2.67
Attitude toward Local Retailers	2.58	2.68
Attitude toward Outshopping	2.39	2.51

Not significant with  $p > .216$

<sup>a</sup> Attitude Scales: Shopping Enjoyment - High score (5) indicates a high enjoyment of shopping  
 Attitude Toward Local Retailers - High Score (5) indicates a positive attitude toward local retailers  
 Attitude Toward Outshopping - High Score (5) indicates a preference to shop locally

# THE INFLUENCES OF SERVICE ENCOUNTERS ON EXPERIENTIAL VALUE OF CONSUMERS IN SHOPPING MALLS IN TAIWAN

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## ABSTRACT

Service encounter is a process from which consumers evaluate and assess the quality of a firm's service offerings. Customers' shopping experience in a shopping mall is unique in that shoppers can experience a variety of need-satisfying offerings such as entertainment, leisure, and exhibitions in a relatively short period of time. In general, customers "interact" with a retailing environment in two dimensions: the personal interaction encounter (Chandon et. al., 1997) and the physical environment encounter (Wakefield et. al., 1998).

Mathwick et. al. (2001) developed an experiential scale reflecting the benefits derived from consumers' perceptions of playfulness, aesthetics, customer return on investment (CROI), and service excellence in the context of catalog and online shopping. The present study attempts to explore the antecedent variables (i.e., the personal interaction encounter and the physical environment encounter) and consequent variable (i.e., post purchase behavioral intentions) of service encounters in the context of a shopping mall as measured using a modified experiential scale. A total of 267 questionnaires were gathered at three major shopping malls in northern Taiwan, and 208 usable responses were fitted into a structuring equation model which describes the relationships among constructs of interest. Results showed that: (1) the personal interaction encounter has a positive and significant relationship with the CROI and the shoppers' perceived service excellence; (2) a shopping mall's physical environment is positively and significantly associated with shoppers' perceived aesthetics and playfulness in a shopping mall; and (3) shoppers' perceived value on all aspects of a shopping mall (i.e., playfulness, aesthetics, CROI, and service excellence) have positive and significant effects on shoppers' post-purchase behavioral intentions.

This study contributes to a better understanding of the service encounter and its impact on shopping mall customers' post purchase behavioral intentions. We recommend further studies to find ways and means to facilitate shoppers' shopping that may be more likely to result in an excellent shopping experience.

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# CONSUMERS' STORE CHOICE BEHAVIOR ORIENTATIONS AND ADVERSE ECONOMIC CONDITIONS: AN EMPIRICAL INVESTIGATION

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## **ABSTRACT**

The adverse economic conditions in the United States have become a major concern of the American consumer. Many adverse changes in the economic environment have resulted in changes of consumer store-choice behavior. The purpose of this study is to examine the interaction between changes in the economic environment and store-choice behavior orientations of the consumer segments. Research findings indicate economic uncertainties have altered the choice criteria guiding the consumer in selecting shopping outlets with different income consumer groups.

Consumers are in constant interaction with their environment. In this interactive process, shoppers strive to reduce the level of conflict while increasing their satisfaction with their surroundings. The propositions assessed in this research seem to hold true. The results of this study indicate that, in order to cope with the changing economic environment, shopping consumers have reassessed their accustomed store patronage orientations and modified the criteria they use for deciding which retail outlet to choose.

The changing economic situations have forced consumers to reassess their store choice criteria in new and critical ways. For example, shoppers are attempting to lower their expenditure levels on various household items. They are becoming more price conscious, making more price comparisons while shopping, and are concerned with bargains and the 'value for the money'. Economic benefits, as opposed to qualitative psychic or sociological benefits (e.g., shopping where one's friends shop or shopping where one is known by name), are becoming more important. The results show that price level and 'value added' are the most significant attributes when selecting a retail outlet.

This study attempted to assist retailers in developing and implementing appropriate retail marketing strategies to attract and gain customers' loyalty in today's unstable economic environment.

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# PHYSICIAN SATISFACTION SCALE: A PROPOSED ENHANCEMENT

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## ABSTRACT

*A sample of 182 physicians from seventeen counties of southwest central and northwest in Florida is employed to investigate the psychometric properties of the Stamps and Cruz (1994) Physicians' Satisfaction Scale. An analysis utilizing exploratory and confirmatory factor analysis suggests a shortened version of the scale consisting of nineteen items and five dimensions. This scale, labeled PS-SV (for physicians satisfaction, shortened version) is recommended for future applications.*

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## INTRODUCTION

*Job satisfaction, is an attitudinal variable that reflects how people feel about their jobs overall as well as various aspects of them (Spector 2002). Researchers have found that job satisfaction is positively related to employee outcomes such as health and longevity as well as positive organizational outcomes such as an increased job performance and a lower turnover (Moncrief et al. 1995; Spector 2002). Also, research indicates that employee's well-being is positively correlated to customer satisfaction (Nygaard and Dahlstrom 2002). Due to its positive effect on organizational outcomes and customer satisfaction, physicians' job satisfaction is a subject of central importance for healthcare management.*

Researchers argue that physician satisfaction is not unidimensional (Schulz et al. 1997). Stamps and Cruz (1994) suggest that six factors affect physician satisfaction and propose a 26-item instrument to measure the six-dimensions of physician satisfaction.

- (i) *Personal factors* relating to the location of the practice, including climate, geography, presence of family and friends (five items).
- (ii) Assessment perception of *resources* for a medical practice (five items).
- (iii) Concern with *peer reviews*, such as a professional review of organizations (two items).
- (iv) Measure of global or *general satisfaction* with medicine as a profession (five items)
- (v) Perception of specific state-level regulation (five-items).
- (vi) Measure or *perceptions of Massachusetts* as a practice location (four items).

Stamps and Cruz's (1994) Physician Satisfaction Scale is a Likert-type attitude scale which was constructed using data obtained from 672 practicing physicians in a four-county area in western Massachusetts. Stamps and Cruz's (1994) scale was originally developed to investigate how managed care arrangements affect physicians' satisfaction (Schulz et al. 1997) and has been used in previous academic studies (Stamps 1995).

*Given the importance of physician satisfaction to physician and organizational related outcomes and the wide applicability of the Stamps and Cruz (1994) scale, an evaluation of the research instrument is warranted. Hence, the purpose of this paper is to investigate the psychometric properties of the Stamps and Cruz (1994) scale by assessing its dimensionality and reliability.*

## METHODOLOGY

### Research Sample

Self-report data were requested from physicians of seventeen counties of southwest central and northwest Florida. Participants were randomly selected from three major lists, the Blue Cross Blue Shield of Florida Provider Directory for the West Coast Region, the American Medical Association for the Tampa Bay area, and the G T E yellow pages directory. The questionnaires required approximately a half-hour for completion. Research packets, which contained the survey, instructions, and a self addressed, stamped return envelope were mailed directly to the physicians and returned directly to the researcher to assure anonymity. Different types of specialty and group practice arrangement structures employed the physicians. Three hundred and twenty (320) surveys were delivered. Fifty-five surveys were returned due to incorrect addresses. Of the 265 remaining surveys, 182 were completed (68.7% response rate). Physicians received the results of the study upon request.

Approximately 18% of the respondents were in solo arrangement practice, 41% were in-group arrangement practice, 39% in hospital arrangements, and 9% were in HMO group arrangements. Responses came from the following counties: Charlotte .5%, Collier 2.2%, Glades .5%, Hernando .5%, Highlands 2.2 %, Hillsborough/Pinellas 62.6%, Lee 1.1%, Leon 11.0%, Palm Harbor .5%, Pasco 3.8, Pinellas 14.3% and Polk .5%. The age distribution of the respondents was, 30 to 44 years of age (36.8%), 45 to 53 years of age (31.8%), 17.0% 55 to 64 years of age (17.0%), 65 to 74 years of age (6.8%), and 3.4% were over 75 years of age. The respondent's self reported ethnicity was, Asian/American 8.2%, Black/African-American 7.1%, Hispanic/Latino-American 6.0%, and White American 78%. Twenty six percent of the respondents were female. The sample population years of experience (tenure) in medical practice in Florida was: 7-10 years (44.8%), 11-15 years (16.5%), 16-20 years (17%), 21-25 years (10.8%), 26-30 years (4.5%), and 5.1% over 30 years.

### Scale

In the present study, participants completed the six-dimensional Stamps and Cruz (1994) Physician Satisfaction Scale. The scale measures six separate dimensions constructed on a Likert-type attitude scale (personal factors, resources for medical practice, professional review of organizations, general satisfaction, concerns with Florida-level regulations, and perceptions of Florida as a good place to practice). This data was used to evaluate the dimensionality and reliability of the scale.

### Scale Reliability

Coefficients of reliability (Cronbach's  $\alpha$ ) were calculated for each one of the six dimensions of the Stamps and Cruz (1994) satisfaction of physicians scale. Cronbach's  $\alpha$  was 0.72 for the personal dimension, 0.68 for the resources dimension, 0.57 for satisfaction with medicine as a profession, 0.68 for regulatory climate, and 0.33 for place to practice. These reliability coefficients are lower than those estimated by Stamps in 1994 (0.84, 0.78, 0.77, 0.70, and 0.79 respectively). The correlation coefficient for the two-items of the review of profession dimension was 0.75, and is lower than Stamps and Cruz's (1994) estimation (0.83). The satisfaction with medicine as a profession and regulatory climate reliability coefficients were 0.66 and 0.69 respectively, after two items from the satisfaction with medicine as a profession dimension, and one item from the regulatory climate reliability were deleted.

## RESULTS OF ANALYSIS OF THE SATISFACTION OF PHYSICIANS SCALE

### Scale Dimensionality

Both exploratory and confirmatory factor analysis were used to assess the dimensionality and internal consistency of the Stamps (1994) satisfaction of physicians scale. Nunnally and Bernstein (1994) argue that factor analysis is appropriate for investigating the structure of relations among measures. Nunnally and Bernstein (1994) state that factor analysis may be used for grouping variables (scale items), estimating which variables belong to

which group (scale dimensions) and how strongly they belong, and predicting the number of dimensions needed to explain the relations among variables.

First, a principal components analysis was conducted using the twenty-nine-items of the scale. Using the Kaiser-Guttman rule, eight principal components with eigenvalues of 1.0 were initially retained. However, when the eight principal components solution was used, seven item loadings were smaller than 0.1 for all eight components, regardless of the use of orthogonal and oblique factor rotation procedures (Varmiax and Promax). Those seven items were not used further in the analysis. Also, the scree plot shows a steep gradient in the eigenvalues score after the fifth component, suggesting a five-component solution (See Figure 1).

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Figure 1 About Here

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Using the principal component analysis method, a five-factor exploratory factor analysis was conducted. The five-component solution explains 59.9% of the total variance. After conducting a Quartimax rotation, all items load in a single factor. As it is shown on Table 1, all factor loadings are above 0.43, with 16 out of the 19 factors being above the 0.60 standard suggested by Bagozzi and Yi (1988). Also, all factor cross loadings are smaller than 0.31. Hence, the factor structure clearly suggests the existence of five dimensions: personal dimension, resources dimension, review of the profession, satisfaction with medicine as a profession, and regulatory climate.

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Table 1 About Here

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Finally, two confirmatory factor analysis models were analyzed. A first model replicated the original six-dimensional 26 items Stamps (1994) scale, while the second model was constructed using the 19 items five-dimensional solution shown in Table 1. The goodness of fit indicators suggest that the five-dimensional model is preferred to the original six-dimensional model (see Table 2). Also, the difference in  $\chi^2$  of the two models is statistically significant at  $p = 0.01$ . The difference in  $\chi^2$  (252.9) is greater than the critical  $\chi^2$  of 29.1 at 14 degrees of freedom, indicating that the five-factor model performs better in fitting the data, compared to the six-factor model (the degrees of freedom of the critical  $\chi^2$  is the difference in the number of estimated coefficients for the two models).

Also, the goodness of fit index (GFI), Bentler's Comparative Fit Index (CFI), and Bollen's Non-Normed Index (NNFI) are larger for the five-dimensional, compared to the six-dimensional model (See Table 2). The RMSEA statistic for the five-dimensional model is smaller than Byrne's (1998) 0.08 "rule of thumb," indicating that the model reasonable fits the data. The GFI statistic, indicates that approximately 86.7% of the variance-covariance matrix is predicted by the model, and is at a marginal acceptance level (Hair et al. 1998). Also, Bentler's CFI statistic is above 0.86, falling slightly bellow the desired threshold of 0.9 (Hair et al. 1998).

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Table 2 About Here

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Furthermore, all of the path coefficient t-values were larger than 4.1, and were significant at  $p = 0.05$ . Three of the ten covariances among the 5-dimensions of the scale were not significant at  $p = 0.05$  (personal-

climate, personal-profession, and resource-climate). All other covariances were significant at  $p = 0.05$ . The standardized path coefficients, estimated error variances, and covariances among the five dimensions are shown in Figure 2.

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Figure 2 About Here

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## ITEM ANALYSIS

### Item Discrimination

Nunnally and Bernstein (1994) argue that the discrimination of an item describes the extent to which the probability of response correlates with the attribute. Items to total correlations are calculated for each of the five-dimensions of physicians' satisfaction. Table 3 shows that all items to total correlations are high. The higher the discrimination index, the better the item discriminates. All discrimination indices are above the "0.3 rule of thumb," and are shown to be good discriminators.

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Table 3 About Here

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### Item Difficulty

Difficulty refers to the degree of an attribute a respondent of a scale must possess to achieve a given probability of response (Nunnally and Bernstein, 1994). Investigating for evidence of floor or ceiling effects performs an assessment of item difficulty. Table 3 shows some evidence of ceiling effects for the personal and resource dimensions.

## CONCLUSION AND RECOMMENDATION

This research represents an important step in the evaluation of the six-dimensional Stamps and Cruz (1994) satisfaction of physicians scale and proposes a five-dimensional shortened version of the instrument. This research provides strong evidence that supports a five-dimensional 19-item scale to measure satisfaction of physicians PS-SV (for physicians satisfaction, shortened version). First, an exploratory factor analysis suggested a five-dimensional scale. Second, confirmatory factor analysis indicates that the five-dimensional scale is preferred to the original six-dimensional scale. The model fit statistics of the confirmatory factor analysis are adequate and the reliability of the shortened version is superior to the original 26-item scale. Third, the item and reliability analysis suggest that the shortened version scale is psychometrically acceptable. Finally, the proposed shortened version adds measurement efficiency for medical administration applications.

Based on these criteria, we recommend the more parsimonious five-factor PS-SV scale to be employed for future research endeavors. The use of a shorter scale for conducting medical research is critical because it increases both response and completion rates. A limitation of this research is that it used a sample-size that is smaller than the one used in the Stamps and Cruz (1994) study (182 compared to 672 responses). However, the sample-size is appropriate for the statistical techniques applied.

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**TABLE 1**  
**FACTOR SOLUTION**

**Rotated Component Matrix<sup>a</sup>**

	Component				
	Personal	Resource	Climate	Profession	Review
Climate/geographic features (I1)	.734	-.069	.003	-.044	.128
Presence of family and/or friends (I2)	.752	.093	-.114	-.080	-.157
Opportunities for social life (I3)	.805	.199	-.038	.144	-.062
Recreational & sports opportunities (I4)	.827	.081	.080	.120	-.049
Quality and educational opportunities (I5)	.468	-.029	.015	.012	.164
Professional interaction with other physicians (I6)	.221	.671	.102	.156	-.015
Opportunity for contact with medical school (I7)	.187	.437	.320	.164	-.481
Availability of hospital facilities (I8)	.009	.780	-.046	.053	-.073
Availability of appropriate subspecialties (I9)	-.003	.733	.047	-.064	.178
Availability of good social welfare, home care or nursing home services (I10)	-.010	.754	-.047	.141	.186
Utilization reviews (I11)	.057	.209	.205	.218	.787
Professional review organizations (I12)	.154	.250	.299	.116	.663
My current income is satisfactory for the amount of work I do (I17)	.040	.217	.141	.554	.166
If I had the decision to make again I'd still go into medicine (I18)	.071	.015	.025	.794	-.044
All things considered, I am satisfied with my medical practice (I19)	.028	.113	.092	.859	.094
Mandatory Medicaid (I13)	-.108	.207	.655	.270	-.305
Ban on balance billings (I14)	.015	-.012	.691	.226	.049
Retroactive medical malpractice premium (I15)	-.023	-.019	.813	-.125	.153
Base medical malpractice premium (I16)	.010	-.001	.660	-.003	.189

Extraction Method: Principal Component Analysis.

Rotation Method: Quartimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

**TABLE 2**  
**CONFIRMATORY FACTOR ANALYSIS**

Statistic	Six Factor Model	Five Factor Model	Difference
Goodness of Fit Index (GFI)	0.8204	0.8679	0.0475
Chi Square	519.78	266.89	-252.89
RMSEA	0.0675	0.0702	0.0027
RMSEA 90% Lower Confidence Interval	0.0582	0.0573	-0.0009
RMSEA 90% Upper Confidence Interval	0.0766	0.083	0.0064
Bentler's Comparative Fit Index	0.7845	0.8623	0.0778
Bollen's Non-normed Index	0.7543	0.8666	0.1123

**TABLE 3**  
**ITEM CHARACTERISTICS OF THE SATISFACTION OF PHYSICIANS SHORT VERSION SCALE**

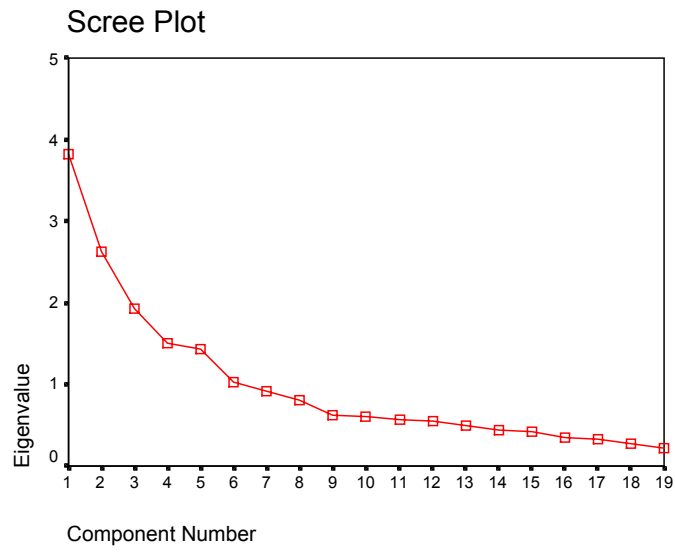
Dimension	Item	Mean	SD <sup>1</sup>	ITC <sup>2</sup>
Personal	Climate/geographic features	4.50	0.68	0.72
	Presence of family and/or friends	4.29	0.97	0.69
	Opportunities for social life	4.25	0.85	0.66
	Recreational & sports opportunities	4.39	0.79	0.66
	Quality and educational opportunities	3.48	1.15	0.80
Resource	Professional interaction with other physicians	4.07	0.94	0.57
	Opportunity for contact with medical school	3.79	1.16	0.32
	Availability of hospital facilities	4.25	0.82	0.57
	Availability of appropriate subspecialties	4.19	0.93	0.53
	Availability of good social welfare, home care or nursing home services	3.65	1.12	0.49
Review	Utilization reviews	2.77	1.18	0.60
	Professional review organizations	2.78	1.14	0.60
Professional	My current income is satisfactory for the amount of work I do	2.55	1.25	0.56
	If I had the decision to make again I'd still go into medicine	3.81	1.15	0.45
	All things considered, I am satisfied with my medical practice	3.45	1.06	0.33
Climate	Mandatory Medicaid	2.51	1.21	0.40
	Ban on balance billings	2.12	0.93	0.48
	Retroactive medical malpractice premium	1.96	0.93	0.58
	Base medical malpractice premium	2.48	1.11	0.61

<sup>1</sup>Standard Deviation

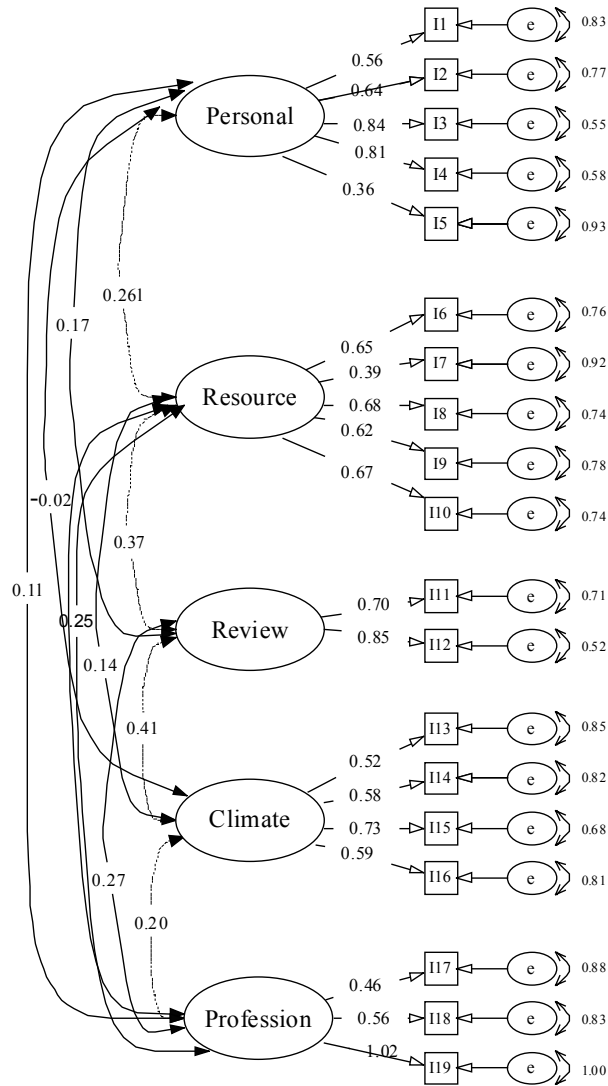
<sup>2</sup>Item to Total Correlation and Standard Deviation



**FIGURE 1  
SCREE PLOT**



**FIGURE 2**  
*Confirmatory Factor Analysis Standardized Path Coefficients*



## DEVELOPING A MODEL OF CONSUMER SEARCH STRATEGIES FOR MENTAL HEALTH SERVICES

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### ABSTRACT

*Participants were asked to rate the likelihood of using each of 19 empirically-derived sources of information in selecting a mental health provider. Analyses suggest that, similar to certain other health care decision-making, individuals are most likely to depend on personal sources of information such as referrals and recommendations.*

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### INTRODUCTION

The application of the marketing concept to health services marketing is relatively recent (Ambrose and Lennox 1988). At the same time, it has become standard in the field of marketing/consumer behavior to conceptualize the extended consumer decision-making process typical of high involvement situations, such as arranging for health services, as taking place in a series of five stages, from problem recognition to post purchase evaluation. While the bulk of relevant health care research has focused on the dimension of consumer satisfaction following the receipt of service (Nowak and Washburn 1998), there are indeed some empirical studies that investigate the manner in which patients select various health care providers (Babakus et al. 1991; Hanna, Schoenbachler, and Gordon 1994; Nowak and Washburn 1998)

Early literature suggests that in latter stages of the decision process and in cases of high perceived risk purchases consumers use personal sources of information such as family, friends, and other sources of word-of-mouth more so than marketing and mass media sources of information (Stewart, et al. 1989). This has been empirically supported in the health care literature. The reliance on personal sources of information (word of mouth from just a few individuals or on personal experiences as a patient) holds true whether a patient is searching for a health care provider for themselves or for a member of their family, adult or child (Stewart, et al. 1989, p. 38), and whether the procedures are elective or non-elective .

In one study that investigated how parents seek physicians for their children, 44 percent of the parents surveyed indicated that they asked a neighbor or friend. An additional 21 percent sought the advice of another doctor. Personal experience as a patient (19.2%) and soliciting input from other family members (18.3%) were also mentioned as sources of information (Hickson, et al. 1988).

The largest single source of information used to select an obstetrician reported by Glassman and Glassman (1981) was the advice of a friend or neighbor. Likewise, Hanna, Schoenbachler, and Gordon (1994) found word-of-mouth to be the primary source of information reported by 46 percent of the patients in a study investigating the selection of generalists or specialists as health care providers. Physician referrals were also reported to be important sources of information (reported by 31% of the patients).

Several studies have investigated the sources of information specifically used to select providers of elective procedures. Babakus et al. (1991) found that patient groups ranked physicians as the primary source of information. Patients felt that physicians were more reliable than television, radio, magazines, and newspapers. Babakus et al. did not, however, include in their study the provision that personal sources of information other than physicians may be employed. Since the literature consistently supports the importance of family, friends, and neighbors in the selection of health care providers, the exclusion of these sources limits the utility of these findings. Therefore, Nowark and Washburn (1998) extended the work of Babakus et al. by examining the influential information sources

and decision factors in the selection of plastic surgeons for patients seeking either cosmetic or medical services. For both groups, physician referrals were found to be the most influential sources of information. But patients of cosmetic surgery also considered friends, family or former/current patients, magazine/newspaper articles, and insurance directories to be useful sources of information as well.

Consistent with the 5-step consumer decision-making model, Saunders (1993) has proposed that the process by which consumers come to seek mental health services takes place in four stages: 1) recognizing the problem, 2) deciding therapy could help, 3) deciding to seek therapy, and 4) contacting the mental health system. In contrast to all that has been learned about the search and decision process involved in securing *general* health services, there has been very little learned about the search for mental health care providers.

This is surprising given the high prevalence of mental disorders in the United States. A recent survey found that more than one-fourth (28%) of adults in the US experience a mental health or substance abuse disorder in any given year (*Health Care Strategic Management* 2001). Another source reports that 15 percent of US adults seek some kind of mental health care each year and about 20% of American adults are affected by mental illness at one point or another in their lifetime (*The Lancet* 2000). It is estimated that more than a quarter-million people are in mental health treatment centers and mental health organizations' yearly expenditures amount to \$33 billion (*Psychology Today* 2001). Further, a recent news report (Canada NewsWire 2002) suggests that the greatest increase in mental health treatment may be among young adults, particularly those 15-19 years of age.

In response to demands of a continually changing marketplace including managed health care, the increases in mental illness treatment, especially among young people, and the opportunity for direct-to-consumer advertising, providers of mental health services are being forced to consider strategies for more effectively and competitively offering services to the public. The purpose of this project was to help provide an understanding of the information search process that clients use to choose mental health providers, which could enhance providers' ability to develop successful mental health service marketing strategies. This study was designed as a preliminary step in developing a model of the process by which consumers seek and secure mental health services.

## METHOD

A previous investigation resulted in a list of eighteen empirically-derived sources of information that participants would potentially utilize in securing mental health services (Lipscomb et al. 1996). A nineteenth source, the internet, was added to this list which was distributed, along with a research scenario, to a sample of undergraduate students from several disciplines who were enrolled in several introductory psychology classes. The scenario describes a situation in which the participant should imagine him/herself beginning a new job in an unfamiliar location and experiencing feelings warranting professional help. Participants were asked to rate, on a 5-point scale, the likelihood (extremely unlikely to extremely likely) of utilizing each source in locating an appropriate mental health professional or program. Demographic information including gender, age, ethnicity, marital status, birth order, and health insurance coverage was also obtained from the participants. Further, items were included that would allow the researchers to determine if there was a reported preference for the type professional (psychologist, psychiatrist, social worker, licensed professional counselor) individuals would choose.

## RESULTS

The sample consisted of 153 undergraduate students (mean age = 21.2 years) at a university in the southeastern US. Fifty-six percent were female; eighty-nine percent were single.

A principal components analysis identified a five-factor solution comprised of 14 of the 19 items listed; five items were omitted because of double loadings or because they yielded single-item factors. Factor loadings appear in parentheses. Factor 1 is best described as "Advertising", made up of sources such as newspaper, yellow page, television commercial, and billboard advertising (.744, .702, .756, .758) as well as web-based information (.681). Current and previous minister/church sources (.891, .896) compose Factor 3. Traditional health service providers such as clinics, hospitals, and crisis hotlines (.808, .467, .744) constitute Factor 4. Factor 5 includes personal sources--referrals from new friends and co-workers (.807, .786). 'Consulting a local physician' combined with 'television talk show' for equal but opposite loadings on Factor 2 (-.838, .647).

In addition, data were analyzed by means of Pearson chi-squares with the various demographic characteristics of the sample comprising the qualitative variables. Because of the nature of the sample, small cells occurred in the case of ethnicity and health insurance coverage at sufficient frequency to preclude meaningful segmentation analysis on these variables. They are, therefore, excluded from the following comparisons.

### **Factor 1: Advertising**

**Yellow Pages:** Overall, 21.6% of the sample indicated that they were likely to attempt to find a provider by means of the local telephone directory yellow pages while 53.3% were not likely to consult the yellow pages. The sample was relatively homogeneous in this respect as there were no significant differences related to the demographic variables considered.

**Newspaper Advertisements:** Considering all those responding, only 15% indicated that they would consider newspaper ads in identifying a provider. The majority (63.4%) indicated that they were unlikely to do so. There were no differences significant at conventional levels but birth order pattern was nearly so,  $\chi^2(6) = 12.41$ ,  $p=.053$ .

**Television Commercials:** Of all respondents, 18.3% indicated that they would be likely to identify a provider by means of television commercials with the majority (60.8%) indicating that they were unlikely to do so. Again, birth order was the only demographic variable that approached conventional significance levels,  $\chi^2(6) = 12.50$ ,  $p=.052$ .

**Billboard Advertisements:** Overall, only 18.3% indicated that they would be likely to use a billboard as a source of information in selecting a provider of mental health services while 58.8% indicated that they were not likely to do so. There were no significant differences as a function of the demographic variables considered.

**Internet:** Of all respondents, 26.1% responded that they would be likely to seek a provider of mental health services by conducting an internet search; 43.8% indicated that they were unlikely to use the internet for this purpose. No statistically significant differences occurred as a function of the demographic categories employed.

### **Factor 2: TV/MD**

**Local Physician:** Overall, 78.9% of the sample indicated that they would likely seek a referral from a local physician with 15.8% responding that they would not be likely to do so. Chi Square analysis indicated a significant gender difference,  $\chi^2(2)=6.8$ ,  $p=.033$ . Eighty-two percent of males indicated that they would be likely to seek referral from a local physician while 9.0% indicated that they were not likely to do so. Of the females, 76.5% indicated that they would likely consult a physician with 21.2% unlikely to do so. There were no other significant differences.

**Television Talk Show:** The vast majority of the sample (76.5%) indicated that they were not likely to identify a provider from a television talk show. Of the sample, only 11.1% indicated that they were likely to do so, with no significant differences as a function of the demographic variable used for this item.

### **Factor 3: Minister/ Church Sources**

**Minister/Church from Home:** Just under half of the sample, 47.1%, indicated that they would be likely to seek assistance from a minister or church 'back home' to find a suitable provider of mental health services while 31.4% responded that they would be unlikely to do so. There was a marginally significant effect for the likelihood to use this strategy as a function of birth order,  $\chi^2(6) = 12.52$ ,  $p=.051$ . None of the other demographic comparisons approached significance for the use of this strategy.

**Local Minister/Church Group:** For the entire sample, 55.6% indicated that they were likely to seek a referral from a local minister or church-affiliated group while 26.1% indicated that they were not likely to do so. Once again, this pattern did not vary as a function of demographics.

#### **Factor 4: Traditional Health Service Providers**

**Local Hospital:** Considering the entire sample, 52.3% indicated that they were likely to seek a referral to a mental health provider from a local hospital, 25.5% indicated that they were not likely to do so and 22.2% were neutral. There were no significant differences among demographic variables in the likelihood of seeking a referral from a hospital source.

**Crisis Hotline:** Considering all respondents in aggregate, 17.6% indicated that they were likely to seek a referral to a mental health provider from a local crisis hotline while the majority, 61.45%, responded they would be unlikely to pursue this option and 20.9% were neutral. This pattern was quite consistent across the demographic variables employed as Chi square revealed no significant differences

**Local Health Unit:** For the complete sample, 41.1% indicated that they would be likely to seek a provider by consulting with a local health unit with 32.5% responding that they were unlikely to do so. Again this basic pattern was similar across the various categories of the demographic variables employed.

#### **Factor 5: Personal**

**Referral From a Co-worker:** Envisioning themselves in the above scenario, 44.4% of the sample as a whole indicated that they were likely to ask a co-worker to refer them to a mental health provider while 26.1% indicated that they would not do so. The likelihood of asking a co-worker for a referral was found to vary significantly as a function of birth order status,  $\chi^2(6)=13.24$ ,  $p=.04$ . There were no other significant differences as a function of the demographic variables considered.

**New Friends:** For the entire sample, 36.2% indicated that would be likely to solicit a referral from a new friend they had made whereas 40.8% were not likely to do so. There was a significant gender difference for this variable,  $\chi^2(2)=9.46$ ,  $p=.009$ . Women were much more likely than men to seek a referral from a friend with 44.2% indicating that they were likely to pursue this option as compared to 25.8% of males. There were no other significant demographic differences.

Overall, 24.2% of the sample indicated that in the scenario described, they would be likely to seek professional services. There was, however, a marginally significant effect as function of gender,  $\chi^2(2)=9.46$ ,  $p=.051$ . The majority of women (67.6%) indicated that they would be likely to seek professional help as compared with 32.4% of the men.

Of those who reported they were likely to seek mental health services, there were no significant general preferences for any of the four professional types listed.

### **DISCUSSION**

The purpose of the present study was to provide information that would be useful in building a model of consumer search strategies likely to be employed to identify potential providers on mental health services. Toward this end, the results of the present study indicate there to be five basic dimensions by which sources of such information could be categorized - Advertising, tv/MD, Minister/Church, Traditional Health, and Personal sources.

Overall, the present results suggest that consumers are not in general likely to use search strategies that rely on advertising sources. While approximately one-fourth of those sampled indicated that they would be likely to use the internet to search for sources, progressively smaller percentages reported possible use of yellow pages, television commercials, billboards or newspaper advertising. There were no significant demographic differences with respect to Factor 1. An exception may exist for birth order. Although this finding may prove to be of some theoretical interest, it is unlikely to be of practical importance with respect to market segmentation and target marketing practices.

The dimension labeled tv/MD is an interesting one formed on the basis of approximately equal but opposite

loadings with two items. Specifically, it appears that more than three-fourths of the sample are likely to turn to a physician for referral but equal numbers feel just as strongly that they would *not* use a television talk show for the same purpose. Perhaps this factor relates to the 'reputation' of the possible sources. Because there are vast differences in the type 'talk shows' that currently appear on television, a fuller explanation of this factor would be made possible by more clearly defining 'talk show' in subsequent investigations. With respect to the likelihood of using a local physician as referral source, it is interesting and of some practical importance that the men in the sample were significantly more likely to use such a search strategy than were the women. In general, however, the present results suggest the importance of including the physician as a referral source in the eventual model developed. As with other areas of health care services marketing, these preliminary results may underscore to importance of networking with physicians in effectively marketing mental health services.

The third dimension was that of Minister/Church sources. Not surprisingly, the likelihood of using local sources and sources from home were found to comprise a common dimension. The results for these two items were similar with approximately half the sample indicating that they were likely to use these sources with no statistically significant differences as a function of the demographic variables considered.

The factor labeled as Traditional Health Service Providers was comprised of three items measuring the likelihood of using a local hospital, a crisis hotline, and a local health unit to identify a potential provider. Among these sources, the largest percentage of respondents indicated that they were likely to turn to a local hospital for a referral. Slightly fewer indicated they would use a local health unit but less than 20% indicated that they were likely to use a crisis hotline as a referral source. It would seem advisable from these findings for mental health providers to seek a relationship with traditional health service providers especially hospitals and public health units.

The final dimension to emerge was that of personal sources which included seeking to identify a provider by consulting with a co-worker and/or new friend. Concerning the likelihood of seeking a referral from a co-worker, nearly half of the sample as a whole indicated that they were likely to do so. With respect to the likelihood of asking help from a new friend in finding a provider, the sample was fairly evenly split, which is similar to the results of studies concerned with the provision of more general forms of health services. It is quite interesting and potentially important both theoretically and practically that women were much more likely to pursue such a strategy than were men. Whereas one fourth of the men sampled indicated that they were likely to consult a new friend, nearly half of the women indicated that they were likely to do so.

It is noteworthy that among the present sample there was no clear preference as to the type profession of the potential mental health provider. One explanation of this finding is the very real possibility that the public is not aware of the differences among these professional groups. For example, the typical consumer may not be aware of the distinction between a psychologist and a psychiatrist. Although the possibility exists that the relatively young age of the sample studied here may account for this lack of distinctiveness as this age group may have had far less opportunity to utilize mental health services, it is also possible that this phenomenon may be of a more general nature. It will remain for future research utilizing a more representative sample to explore this important issue further. If these findings hold up, however, it would suggest that it would be incumbent upon the mental health community to make the public better aware of these potentially important distinctions among the mental health professions.

The results presented here, although of a preliminary nature, suggest the heuristic value of a five dimensional model of strategies used by consumers to search for mental health providers. As progress is made toward developing such a model, there are certain methodological issues to consider. For example, statistically, a factor may explain little variance but indeed be a frequently used strategy--employed by the majority of the sample. Finally, the fact that only about a quarter of the sample indicated that they would be likely to seek professional mental health services is, itself, potentially instructive, suggesting that the mental health professions may serve the public by better communicating the value of such services in general. The fact that women were much more likely than men to seek professional help has implication for including the variable of gender as an important component of the emerging model.

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# **AUTOMATED HEALTHCARE PRODUCT AND SERVICE INFORMATION SYSTEMS: ASSESSING CONSUMER'S PERCEPTIONS AND EXPERIENCES**

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## **ABSTRACT**

*Almost all health care related organizations, including hospitals and pharmacies, have installed some sort of automated telephone system. Most of these organizations have installed this system to eliminate personnel while at the same time promoting the fact that they will be helpful to the consumer. This study (comprising of 255 respondents) was designed to assess the consumer's perceptions and experiences with such automated systems. Our study clearly indicates that most individuals strongly agree that healthcare product and service information should be available via the telephone.*

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## **INTRODUCTION**

*Advances in the telecommunications technology has played an increasingly important part in the health care industry (Pines 1992). Over the past few decades, telephones in particular have played a significant role in the practice of medicine and in particular the delivery of healthcare and related information (Fleming et al. 1988). Automated voice response (AVR) technique added a new dimension to the concept of relationship marketing for healthcare organization's, particularly for pharmaceutical companies where it served as a sales personnel support tool (Medical Marketing and Media 1990). AVRs are used to provide summaries to health professionals and consumers, of important product information usually via the use of an 1-800 number.*

*Telephone medicine is well recognized in several medical activities and specialties such as prenatal care (Lippman, Houle, and Leclere 1992); emergency medicine (Jones et al. 1988; Oberlander, Pless, Dougherty 1993); internal medicine (Johnson and Johnson 1990); disabled elder's care (Mahoney et al. 1999); pediatric and adolescent care (Cavanaugh 1990; Oberlander, Pless, and Dougherty 1993); to name a few. Research also indicates that telephone based medical therapy has been in existence since at least the 1970s (Evans and Jaureguy 1982; King 1977). The early research indicated the cost effectiveness of telephone therapy. Besides contacting doctors and nurses for health related issues, consumers also often contact pharmacists/pharmacies for drug related issues. Some physician practices have also automated their prescription process and lab test reporting procedures in an attempt of reduce manpower expenses associated with these activities (Ennis and Maus 2001).*

In many health care organizations and pharmacies, consumers have to go through various stages using a touch-tone phone before they are able to talk to a pharmacist or his/her representative. The automated telephone systems in some of these organizations have become so sophisticated that many times the consumer does not even have to talk to a person and can get the answer to their questions via pressing a series of buttons on their telephone. The Telephone-Linked Care technology even "speaks" to the patient over the telephone and patients use their telephone keypad (buttons) to respond to the questions asked by the system (Friedman et al. 1997).

Even though operating telephones in organizations have become relatively inexpensive over the years, there still is some cost associated with them. Perhaps one of the biggest expenses is associated with switchboard operator of the telephone system in the organization (Brown 2000). In the case of many small organizations, it may not even be feasible to man a telephone switchboard 24 hours 7 days a week. Even for large healthcare organizations, it may not be necessary to maintain 24/7 a switchboard for all area. Since nurses are the most frequently contacted health professional, it will be advisable to maintain a hotline for consumers to contact the nursing professionals (Papazian 1992). As we know that healthcare organizations are looking for ways to cut down

their expenses and get an upper hand in this highly competitive health care marketplace (Pines 1992). Many health care organizations have replaced the switchboard operators with automated telephone systems. Unfortunately, most of these organizations have done this without assessing the consumer's perceptions regarding interacting with these systems. This study was designed to assess the consumer's perceptions and experiences with using automated telephone systems.

### SAMPLING PROCEDURE AND DATA COLLECTION

A convenience sampling technique was adopted for the purpose of the study. The samples utilized for this study were unrestricted non-probability samples. The rationale for adopting this type of sampling technique was that despite its minor drawbacks, it had content validity, since all the respondents were legitimate consumers. A total of 255 usable surveys were obtained.

For the purpose of this study, the data collection process excluded respondents who were health care professionals or students of health care related fields (e.g., pharmacists, pharmacy students, nurses, allied health students, physicians, medical students, etc.). No effort was made to specifically include any particular group of people; such as, individuals who recently had a prescription filled.

### ANALYSIS OF DATA

The data being analyzed concerns consumers' reactions to automated information. This information is related to either health care products or services. The data is analyzed for both products and services, along with the differences in responses by demographic factors.

**TABLE 1: Descriptive Statistics Of Product Information**

Question	Mean	S.D.
Automated health care information should be available	3.94	1.18
Automated Health Care Product Information should be available through:		
Toll-Free Numbers (1-800 numbers)	4.03	1.22
1-900 Numbers	2.01	1.19
Web pages/online computer services	3.78	1.17
Automated information display counters at pharmacies	3.76	1.10
Automated information display counters at stores other Than pharmacies (e.g., Walmart)	3.37	1.23
Automated health product information is:		
Irritating	2.68	1.21
Deceptive	2.60	1.05
Useful	3.84	0.87
Incomprehensible	2.82	1.07
Reliable	3.39	0.98
Time-consuming	3.34	1.10
Bad marketing	2.64	1.06
Unpleasant	2.72	1.10
Over-generalized	3.01	1.06
Generally outdated	2.68	2.12
Uncaring	2.81	1.19
Exciting	2.55	1.08
Boring	3.05	1.18

### Basic Analysis of Product Information

The question asked whether automated information should be available to consumers. Then, individuals were asked to how this information should be available. Five different methods were given: toll-free numbers, 1-900 numbers, web pages, automated information displays at pharmacies, and automated information displays at stores other than pharmacies. The use of toll free numbers is perhaps the most common and popular telecommunications technology that is used in healthcare organizations (Medical Marketing and Media 1990). The utilization of web-based health information centers have become extremely popular over the last decade. As a matter of fact, web-based health information databases, such as DRUGLINE, had already started to establish their worth among the health professional's community in the 1980s & 90s (Ohman, Lyrvall, and Alvan 1993). However, 1-900 numbers were also used effectively in the early 1990s to provide health care product and disease information to patients as well as health care professionals (Avery 1991; Ukens 1991). The second part of the question asked the consumers' opinions of the information in terms of thirteen characteristics. The responses went from Strongly Agree (5) to Strongly Disagree (1). The means and standard deviations for the responses are given in Table 1.

The responses show that most consumers feel that automated information should be available (Mean = 3.94). Consumers give the highest agreement to availability over toll-free telephone with the lowest scores going to 1-900 numbers. Toll-free does not cost anything to get your information, while 1-900 numbers are toll calls. Web pages and automated information displays at pharmacies were well received.

Most consumers felt that the information available was useful (Mean=3.84). It was reliable (mean=3.39) but time-consuming to get (mean=3.34). On the downside, consumer felt that the information was not very exciting (mean=2.55) and felt that it might even be deceptive (mean= 2.60). Most of the items were around the undecided category.

### Analysis of Product Information with Demographic Factors

There are numerous characteristics of product information which are influenced by demographic factors. By knowing what factors are influenced by a demographic characteristic, companies can find ways to tailoring the information to different segments of the market. In addition, several demographic variables were used. The impact on the responses was analyzed. The demographic variables examined were 1) age, 2) gender, 3) marital status, 4) children, 5) education, and 6) the number of prescriptions received in the last year. Table 2 shows the significant relationships of the ways product information is given with the demographic factors. There are thirteen (13) significant relationships that are discussed below.

**TABLE 2: Automated Health Care Product Information Formats With Demographic Factors**

Automated Health Care Information	Over 40	Over 50	Over 60	Gender
Automated Health Care Information should be available	-	-	-	-
Toll-Free Numbers	-	-	.007***	-
1-900 Numbers	.027**	.039**	.008***	-
Web Pages	.006***	.000***	.000***	-
Automated information displays-pharmacies	-	-	.063*	-
Automated information displays-other stores	-	-	.021**	-
Automated Health Care Information	Marital	Children	Education	Prescriptions
Automated Health Care Information should be available	.072*	.079*	-	-
Toll-Free Numbers	-	-	-	-

1-900 Numbers	-	.055*	-	-
Web Pages	-	-	-	-
Automated information displays-pharmacies	-	-	-	-
Automated information displays-other stores	-	-	-	-

*Notation:*           \*       *Significant at .10 level*                   \*\*       *Significant at .05 level*  
                          \*\*\*       Significant at .01 level                   -       Not Significant

- 1) People over 60 gave a very high rating to toll-free numbers in comparison to people under 60.
- 2) People over 40 gave a higher rating to “900 Numbers” than did those under 40, although each group disagreed that this was a way to display information.
- 3) People over 50 gave a higher rating to “900 Numbers” than did those under 50, although each group disagreed that this was a way to display information.
- 4) People over 60 gave a higher rating to “900 Numbers” than did those under 60, although each group disagreed that this was a way to display information.
- 5) People under 40 felt that online/web service was a better way to provide information than did those individuals over 40.
- 6) People under 50 felt that online/web service was a better way to provide information than did those individuals over 50.
- 7) People under 60 felt that online/web service was a better way to provide information than did those individuals over 60.
- 8) People over 60 felt that use of automated displays at pharmacies was more important than for people under 60.
- 9) Also, people over 60 felt that use of automated displays at other type of stores was more important than for people under 60.
- 10) Married people agreed more strongly that automated health information should be available, followed by previously married people, and then unmarried individuals.
- 11) People with children agreed more strongly that automated health information should be available than those without children.
- 12) People with children disagreed more strongly that information should be available on “900 numbers” than did those without children, although both groups did not think that “900 numbers” was a way to provide information.

In addition, respondents were asked how they found the information provided. Numerous characteristics were given, including boring, deceptive, unpleasant, etc. Each of these factors were analyzed by the demographic variables. The results are shown in Table 3. There were fifteen significant results that are discussed below.

**TABLE 3: Characteristics of Automated Product Information With Demographic Factors**

Characteristics	Over 40	Over 50	Over 60	Gender
Irritating	-	-	-	-
Deceptive	-	-	-	.008***
Useful	-	-	-	.056*
Incomprehensible	-	-	.043**	-
Reliable	-	-	-	-
Time-consuming	-	-	-	-
Bad Marketing	-	-	-	-
Unpleasant	-	.093*	.039**	-
Over-generalized	-	-	.074*	-
Generally outdated	-	.013**	-	-
Uncaring	-	-	-	-
Exciting	-	-	-	-
Boring	-	-	.069*	-

Automated Health Care Information	Marital	Children	Education	Prescriptions
Irritating	.094*	-	-	-
Deceptive	-	-	-	-
Useful	-	-	-	-
Incomprehensible	-	-	.060*	-
Reliable	-	-	-	-
Time-consuming	-	-	-	-
Bad Marketing	-	-	-	-
Unpleasant	-	-	-	-
Over-generalized	-	-	-	-
Generally outdated	-	-	-	-
Uncaring	.046**	-	-	-
Exciting	-	.083*	.095*	-
Boring	.026**	.045**	-	-

*Notation:*

- \* Significant at .10 level
- \*\* Significant at .05 level
- \*\*\* Significant at .01 level
- Not Significant

- 1) Males found the information more deceptive than did the females. Although both were close to neutral.
- 2) Females found the information more useful than did their male counterparts.
- 3) People over 50 found the information more unpleasant than individuals under 50.
- 4) People over 50 found the information more outdated than individuals under 50.
- 5) People over 60 found the information more incomprehensible than individuals under 60.
- 6) People over 60 found the information more unpleasant than individuals under 60.
- 7) People over 60 found the information more over-generalized than individuals under 60.
- 8) People over 60 found the information more boring than individuals under 60.
- 9) Previously married people found the information more irritating, followed by single persons, and last married people.
- 10) Previously married people found the information more uncaring, followed by married people, and last single people. All disagreed slightly that it was uncaring.
- 11) Married people found the information more boring, followed by previously married people, and single, although all slightly disagreed that it was boring.
- 12) People with children found the information more exciting than those individuals without children.

- 13) People with children found the information more boring than those individuals without children.
- 14) Individuals without college degrees found the information more incomprehensible than those individuals with college degrees.
- 15) Individuals without college degrees found the information more exciting than those individuals with college degrees.

### Basic Analysis of Service Information

The question asked whether automated information about services should be available to consumers. Then, individuals were asked to how this information should be available. Five different methods were given; toll-free numbers, 1-900 numbers, web pages, automated information displays at pharmacies, and automated information displays at stores other than pharmacies. The second part of the question asked the consumers' opinions of the service information in terms of thirteen characteristics. The responses went from Strongly Agree (5) to Strongly Disagree (1). The means and standard deviations for the responses are given in Table 4.

The highest agreement was given to toll-free numbers (mean 3.79), followed closely by automated information displays counters at pharmacies (mean = 3.68) and use of web pages (mean = 3.67). Automated information display counters at other stores was next (mean=3.30). Lagging far behind were the "900 numbers" (mean = 2.29).

**TABLE 4: Descriptive Statistics Of Service Information**

Question	Mean	S.D.
Automated Health Care Service Information should be available through :		
Toll-Free Numbers (1-800 numbers)	3.79	1.29
1-900 Numbers	2.29	1.32
Web pages/online computer services	3.67	1.23
Automated information display counters at pharmacies	3.68	1.07
Automated information display counters at stores other Than pharmacies (e.g., Walmart)	3.30	1.17
Automated health service information is:		
Irritating	2.68	1.17
Deceptive	2.96	1.11
Useful	3.50	1.02
Incomprehensible	2.94	1.08
Reliable	3.36	0.98
Time-consuming	3.25	1.08
Bad marketing	2.66	1.07
Unpleasant	2.69	1.07
Over-generalized	2.99	1.05
Generally outdated	2.55	0.99
Uncaring	2.84	1.21
Exciting	2.60	1.07
Boring	2.99	1.10

Useful was the characteristic that received the highest agreement for service information (mean = 3.50).

Most of the factors were around the neutral response. The most disagreement came with generally outdated (mean=2.55), which implies that persons do not feel that the information is outdated.

### Analysis of Service Information with Demographic Factors

There are numerous characteristics of service information which are influenced by demographic factors. By knowing what factors are influenced by a demographic characteristic, companies can find ways to tailoring the information to different segments of the market. In addition, several demographic variables were used. The impact on the responses was analyzed. The demographic variables examined were 1) age, 2) gender, 3) marital status, 4) children, 5) education, and 6) the number of prescriptions received in the last year. Table 5 shows the significant relationships of the ways product information is given with the demographic factors. There are eight (8) significant relationships that are discussed below.

**TABLE 5: Automated Health Care Service Information Formats With Demographic Factors**

Automated Health Care Information	Over 40	Over 50	Over 60	Gender
Toll-Free Numbers	-	-	-	-
1-900 Numbers	.079*	.020**	.033**	-
Web Pages	.058*	.013**	.019**	-
Automated information displays-pharmacies	-	-	.079*	-
Automated information displays-other stores	-	-	-	-

Automated Health Care Information	Marital	Children	Education	Prescriptions
Automated Health Care Information should be available	-	-	-	-
Toll-Free Numbers	-	-	-	-
1-900 Numbers	-	.003***	-	-
Web Pages	-	-	-	-
Automated information displays-pharmacies	-	-	-	-
Automated information displays-other stores	-	-	-	-

*Notation:* \* *Significant at .10 level* \*\* *Significant at .05 level*  
 \*\*\* *Significant at .01 level* - *Not Significant*

- 1) People under 40 disagreed less that service information should be available with “900 numbers” than did people over 40.
- 2) People under 40 more strongly agreed that service information should be available on web pages than those over 40.
- 3) People under 50 disagreed less that service information should be available with “900 numbers” than did people over 50.
- 4) People under 50 more strongly agreed that service information should be available on web pages than those over 50.
- 5) People under 60 agreed more that service information should be available with “900 numbers” than did people over 60.
- 6) People under 60 more strongly agreed that service information should be available on web pages than those over 60.
- 7) People under 60 more strongly agreed that service information should be available on automated information displays in pharmacies than individuals under 60.

- 8) People with children more strongly disagreed with the use of web pages than did those without children.

In addition, respondents were asked how they found the information provided. Numerous characteristics were given, including boring, deceptive, unpleasant, etc. Each of these factors were analyzed by the demographic variables. The results are show in Table 6. There were ten significant results that are discussed below.

**TABLE 6: Characteristics of Automated Service Information With Demographic Factors**

Characteristics	Over 40	Over 50	Over 60	Gender
Irritating	-	-		
Deceptive	-	-	.028**	-
Useful	-	-	-	-
Incomprehensible	-	-	-	-
Reliable	.013**	.017**	.015**	-
Time-consuming	-	-	-	-
Bad Marketing	-	-	-	-
Unpleasant	-	-	-	-
Over-generalized	-	-	-	-
Generally outdated	-	.094*	.039**	-
Uncaring	-	.075*	-	-
Exciting	-	-	-	-
Boring	-	-	-	-

Automated Health Care Information	Marital	Children	Education	Prescriptions
Irritating	.067*	-	-	-
Deceptive	-	-	.028**	-
Useful	-	-	-	-
Incomprehensible	-	-	.000***	-
Reliable	-	-	-	-
Time-consuming	-	-	-	-
Bad Marketing	-	-	-	-
Unpleasant	-	-	-	-
Over-generalized	-	-	-	-
Generally outdated	-	-	-	-
Uncaring	-	-	-	-
Exciting	-	-	-	-
Boring	-	-	-	-

*Notation:*        \*        *Significant at .10 level*        \*\*        *Significant at .05 level*  
                      \*\*\*        *Significant at .01 level*        -        *Not Significant*

- 1) People under 40 found the service information more reliable than individuals over 40.
- 2) People under 50 found the service information more reliable than individuals over 50.
- 3) People under 50 disagreed stronger that the information was outdated than did those individuals over 50.
- 4) People under disagreed stronger that the information was uncaring that their counterparts over 50.
- 5) People over 60 felt stronger that the information was deceptive than did those under 60.
- 6) People under 60 felt that the information was more reliable than did those over 60.
- 7) People over 60 felt that the information was more over-generalized than did those under 60.
- 8) Married people disagreed strongly that the information was irritating with the other two groups disagreeing



- less strong.
- 9) People without a college degree found the information more deceptive than those individuals with a college degree.
  - 10) People without a college degree found the information more incomprehensible than those individuals with a college degree.

### SUMMARY

Most individuals strongly agree that product and service information should be available. Differences arise in how this information should be presented and the perceptions of the information. Toll-free numbers, web pages, and automated display counters appear to be well received by consumers. "900 numbers" are not. Most individuals find the information useful and reliable, but time-consuming and boring. Some thought will have to be given to how to correct this perception in the future.

Demographics were useful in determining which mechanisms should be used. In general, younger persons were more satisfied with web pages, whereas older individuals were more satisfied with automated displays. Married people felt stronger that information should be available than did their unmarried counterparts. The same is true for people with children.

There were differences in the perceptions of the information based upon the demographics. Age played a part. For example, older individuals found the information more unpleasant, incomprehensible, and over-generalized. Married people found the information more irritating and uncaring.

The importance of this information is that if manufacturers, stores, and service providers are going to provide information, they need to make sure that the information is well received. The information was perceived as time-consuming. Providers must find a way to provide the same information in less time. In addition, providers must determine who the audience is. A large portion of medical care is provided to older individuals. This group's perception of the information may be extremely important. For example, older individuals gave less weight to web pages; thus providers may want to use this mechanism less for those products used by older individuals. The information derived from this survey should help in providing information in the best manner possible.

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# CONSUMER PERCEPTIONS AND KNOWLEDGE OF HOSPICE CARE: IDENTIFYING AREAS OF STRENGTHENING MARKETING EFFORTS

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## ABSTRACT

*Hospice care is care provided to terminally ill individuals. In this paper, we give a brief overview of the concept and history of hospice. We then discuss the lack of awareness that exists with regards to hospice care and the array of services offered by these organizations. A small-scale service-learning project was conducted in West Virginia to determine consumer perceptions and knowledge levels regarding hospice care and in particular regarding a local hospice care organization. Our study found that the individuals surveyed in this community had higher knowledge levels regarding hospice care than had been reported in other areas of the country. Also, a high percentage of respondents indicated that they were likely to use hospice services to care for a terminally ill family member or close friend. However, a statistical difference was found between genders for several survey questions. Based on our study, various suggestions for marketing improvement have been identified.*

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## INTRODUCTION

### What is Hospice?

Hospice care can be defined as a comprehensive set of services, such as drug benefits, and visits by a health team that offers palliative care in a variety of settings, such as at home or in a nursing home. Hospice care is designed to help terminally ill patients in the last months of their lives. This type of care neither prolongs life or rushes death. The goal of this type of care is to improve a patient's quality of life in their last days. Offering comfort and dignity to the dying individuals helps accomplish this goal. Hospice care uses a team-oriented approach to care for patients that includes trained professionals, volunteer and family members. Special emphasis is placed on pain management and the comfort of the patient.

The care in Hospice is often referred to as "total care". The patients being treated by Hospice are in a disease state that is no longer responsive to curative treatment. Therefore, the focus of medical care is controlling pain and maintaining the comfort of the patient. Hospice organizations also offer psychological, social and spiritual support. These services are paramount to quality end-of-life care. This support system helps the patient as well as the family cope during the last stages of the patient's life. ([www.worldrtd.org](http://www.worldrtd.org))

There has been a recent surge in interest in palliative care by hospitals and other health care facilities (National Hospice and Palliative Care Organization, 2001). As of January 2001, the Medicare program had identified 2,273 hospices with an estimated 200 more volunteer hospices in the US. As the number of facilities increased, so to did the number of individuals using hospice services. In fact, the number of Medicare patients receiving some form of hospice care has steadily increased in recent years (Consumer Reports on Health, 2002) and roughly one out of every four individuals who died in the U.S. in 2000 died while using some form of hospice care (National Hospice and Palliative Care Organization, 2001). There has also been a subsequent increase in Medicare spending for hospice coverage. Medicare expenditures for hospice services exceeded \$2 billion for fiscal year 1997 (Taylor 1999). These figures do not identify all funds spent on hospice care, as other payers such as Medicaid and

private insurance cover services. Also, there are other hospices that do not participate in the Medicare or Medicaid programs and they are not included in these numbers.

In 1998, there were 21 Medicare certified hospices in West Virginia. These 21 hospices cared for 2,947 patients and charged \$16,318,000 to Medicare for services rendered. The programs received in reimbursement from Medicare a total of \$15,823,000. Therefore, West Virginia hospices collectively received from Medicare 96.9% of the total billed dollars. Currently there are 26 active hospice organizations in the state. (www.nahc.org; Personal Interviews)

While hospice care has seen recent advances in terms of use and number of facilities, there is still much that needs to be done to improve the acceptance of this type of care in mainstream America. This can be said of not only hospice care on a national level, but also in West Virginia. The percentage of individuals in West Virginia using hospice services is well below the national average (www.wvdhhr.org/bph/hp2010/objective/29.htm).

### **THE PROBLEM**

Many people espouse the beliefs and principles from which hospice care developed. The literature has shown that many value the privacy they receive at home compared with impersonal care and repeated interruptions they endure in the hospital (McGrath, 2001). Many people, both patients and family members, feel more comfortable in their own environment. As such, they also prefer receiving medical care in such an area. This allows them to maintain their normal daily routine and fosters interaction with family members. It assists in allowing patients to maintain their prior level of function.

These views are not shared only by the elderly or middle-aged. Young individuals also are in favor of such activities. One study has indicated that a majority of college students, both male and female, favor death at home for terminally ill relatives (Newsome and Dickinson, 2000). Thus, people of all ages prefer to receive, or have family members receive, care in their home environment. Despite many having such views and embracing many of the principles of hospice care, hospice has not seen the types of increase in use that might be expected.

### **LITERATURE REVIEW OF REASONS FOR LACK OF KNOWLEDGE AND UTILIZATION**

There is a great deal of research regarding hospice care. Much of this research confirms that there is a lack of knowledge regarding the services that are provided by such an organization. Not only is there a lack of knowledge but also inaccurate perceptions of what hospice care really is also abound. These erroneous perceptions serve as a barrier to accessing these health services (Johnson and Slaninka, 1999).

The reason for the decreased use of hospice care can be linked to lack of knowledge of services. This includes not only knowledge of whether or not the services are present but also the scope of services offered. These barriers to access exist not only as a result of unawareness by the public but often by medical professionals as well.

Lack of knowledge among general public: Unfortunately, there is a lack of knowledge within the public of both the purpose and scope of hospice services. Many define hospice simply as a place for people to go to die (Newsome and Dickinson, 2000). These people are unaware of the extent of services hospice provides not only to patients but also to their families. These include psychological and social support, as well as spiritual support and bereavement services following the death of a family member. The more highly educated and the elderly are even less likely to be aware of such services compared to their counterparts (Johnson and Slaninka, 1999).

***Who Pays for Hospice Services?:*** Despite hospice care beginning in the United States in the mid-1960s, there is still a significant deficit in knowledge levels of the general public with regards to services provided by hospice care organizations. Many in the general public are unaware who pays for hospice services. In 1995, Medicare accounted for 65% of payment for all hospice services (Bernell and Gregory 2000) and this number increased to in excess of 72% in 1998 (www.nahc.org/consumer/hpcstats.html). However, research has shown that as high as 90% of individuals do not know Medicare covers hospice care (National Hospice and Palliative Care Organization, 2001). This is a significant fact, as many individuals make health care decisions based on financial criteria. Therefore, it is

reasonable that the public's ignorance of the fact that Medicare covers hospice care can be seen as a significant barrier to accessing these end-of-life services.

***Where are Services Provided?:*** The public's lack of knowledge is not limited solely to who pays for the services, but there is also a lack of knowledge in regards to where the services are delivered. One study demonstrated a high percentage of individuals would prefer to take care of a terminally ill family member in their own home (Newsome and Dickinson, 2000). Seventy-five percent of Americans are unaware that hospice services can be delivered in the home (National Hospice and Palliative Care Organization, 2001). This is where the majority of hospice care is delivered and is a hallmark of the institution. This lack of knowledge and inaccurate perceptions of hospice care are significant obstructions to using hospice services. If more individuals knew of the benefits of these services, they would be more likely to use them. One study conducted in Wisconsin demonstrated a majority (63%) of individuals would choose hospice care if given the option (Weggel, 1999). Thus, it is imperative that individuals know of hospice care to increase market share within a community. This lack of knowledge is not limited solely to lay people; many in the medical profession also are unaware of hospice services. This often results in decreased quality of care for the dying individual.

***Unawareness among the medical community:*** Individuals within the medical professions also demonstrate inaccurate perceptions and deficient knowledge of hospice care services. Many physicians still do not see the benefits hospice provides to both patients and family members. Research has shown that many physicians report not having a clear picture of hospice or when it should be involved (Weggel, 1999). This lack of knowledge by physicians has a significant impact on usage of hospice services. This lack of knowledge has been linked to the decreasing average length of stay for hospice patients in recent years (Saphir, 1999). This depravity of information is not limited solely to physicians but has also been noted in other health care fields. Despite working with terminally ill patients and having previous training in hospice, less than 30% of nurses felt they knew enough to discuss hospice care with patients (Schiff, 2001).

**Impact of Decreased Utilization:** This lack of knowledge, by both the general public and the medical community, not only deprives patients and family members of treatment options they value but also has a significant economic impact both at the federal and local levels. Currently, 27.4% of all Medicare spending on the elderly is done in their last year of life (Chase et al, 2001) and 80% of Medicare dollars spent to care for dying patients are allocated in the last three weeks of life (Roszak, 2001). It is thus easy to see that a more efficient and cost effective manner of delivering health care services at this time in a patient's life is needed. This is what hospice can provide. A 1995 study demonstrated that for patients at the end of their lives, hospice care cost Medicare less than traditional services (Saphir, 1999).

**Differences in Demographics:** The literature also demonstrates there are significant differences in knowledge and usage between gender and ethnicity. Studies have shown there to be statistically significant differences between men and women with respect to awareness of hospice, with women being more knowledgeable of these services, 87% of female respondents compared to 67% of males (Newsome and Dickinson, 2000). Differences were also discovered with respect to propensity to care for a terminally ill parent or close relative in the home. 87% of females responded favorably while only 77% of males stated they would be in favor of treating a loved one in the home setting (Newsome and Dickinson, 2000).

There is also a statistically significant difference in the percentage of hospice patients based on ethnic origin. In the year 2000, 82% of hospice patients were White or Caucasian, 8% were Black or African American, 2% were Hispanic or Latino, and 6% were not classified in any category (National Hospice and Palliative Care Organization, 2001).

## **HOSPICE CARE IN KANAWHA VALLEY**

With respect to hospice care provided in the Kanawha Valley, WV and surrounding areas, it is not yet known what the knowledge and perceptions are of health care consumers. KHCI Hospice Care, Inc. (name modified to maintain anonymity of the organization) has been providing services in the Kanawha Valley since 1981. Despite

providing care for over 20 years, there is a feeling that the organization is not well known within the public. If the lack of knowledge of hospice care that plagues the nation as a whole is prevalent in this region, then administrators and marketers need to increase the awareness of not only the general public but also those in the medical community. However, to date there have been no studies to assess health care consumers' knowledge levels regarding hospice care and perceptions of its use in Kanawha Valley.

### RESEARCH OBJECTIVES

The goals of this study are to determine consumer perceptions and knowledge citizens of the Kanawha Valley, WV have regarding hospice care. This study addressed specific areas regarding hospice care. It was designed to first examine whether or not individuals are aware of hospice services delivered in the area. We also examined if respondents would consider using hospice services to care for a terminally ill family member. The study then progresses to determine the knowledge level of the general public with regards to services rendered by a local hospice care organization or KHCI Hospice Care, Inc.. The questions in the survey were designed to deal with many different aspects of hospice care and they can also identify specific areas where marketing efforts need to be strengthened.

**Table 1 Demographic Data**

		<b>Responses</b>	<b>% of responses in category</b>
Age	19 or under	4	3
	20-29	48	37.2
	30-39	38	29.5
	40-49	27	20.9
	50-59	7	5.4
	60-69	3	2.3
	70 or over	2	1.6
Gender	Male	42	32.8
	Female	84	65.6
Marital Status	Single	52	40.3
	Married	61	47.3
	Divorced	9	7.0
	Widowed	4	3.1
	Separated	3	2.3
Ethnic Group	African-American	8	6.2
	Caucasian	117	91.4
	Asian	2	1.6
	Hispanic	1	0.8
	Other	0	0
Education	Less than High School	3	2.3
	High School Degree/GED	26	20.2
	College (not completed)	41	31.8
	2 year degree	13	10.1
	4 year degree	35	27.1
	Masters Degree	9	7.0
	Doctoral Degree	2	1.6
Income Level	\$19,999 or below	22	19.1
	\$20,000-\$34,999	48	41.7

	\$35,000-\$49,999	24	20.9
	\$50,000-\$64,999	10	8.7
	\$65,000-\$79,999	4	3.5
	\$80,000 and above	7	6.1

This study is beneficial to a large number of individuals. This study can result in improvements not only in quality of care but also will improve the cost effectiveness of the delivery of care. The information gained from this study will benefit many groups of individuals including: hospice care providers, hospice patients and families, taxpayers.

### THE RESEARCH SAMPLE

The population for this study included all health care consumers in and around Kanawha County eighteen years of age and older. A total of 145 surveys were distributed using a convenience sampling technique. Of this, 129 individuals responded giving a response rate of 89%. Demographic data are summarized in Table 1.

### RESULTS

#### Are individuals aware of KHCI Hospice Care, Inc. in the Kanawha Valley?

The data shows that a large percentage of respondents are aware that there is a hospice care facility in the Kanawha Valley (Table 2). No significantly statistical difference was noted for this statement with respect to gender.

**Table 2: Awareness of respondents of KHCI Hospice Care, Inc.**

			Yes	No	Total
GENDER	Male	Count	37	3	40
		Expected Count	38.3	1.7	40.0
		% within GENDER	92.5%	7.5%	100.0%
	Female	Count	79	2	81
		Expected Count	77.7	3.3	81.0
		% within GENDER	97.5%	2.5%	100.0%
Total		Count	116	5	121
		Expected Count	116.0	5.0	121.0
		% within GENDER	95.9%	4.1%	100.0%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.711	1	.191		
Continuity Correction	.676	1	.411		
Likelihood Ratio	1.588	1	.208		
Fisher's Exact Test				.330	.202
Linear-by-Linear Association	1.697	1	.193		
N of Valid Cases	121				

2 cells have expected count less than 5. The minimum expected count is 1.65.

### Willingness to use hospice services

Analysis revealed that there were statistically significant differences within groups in comparison of gender and willingness to use hospice care for a terminally family member or close friend. Chi-square values were within a very high confidence level. This information is demonstrated in Table 3 and Figure 1.

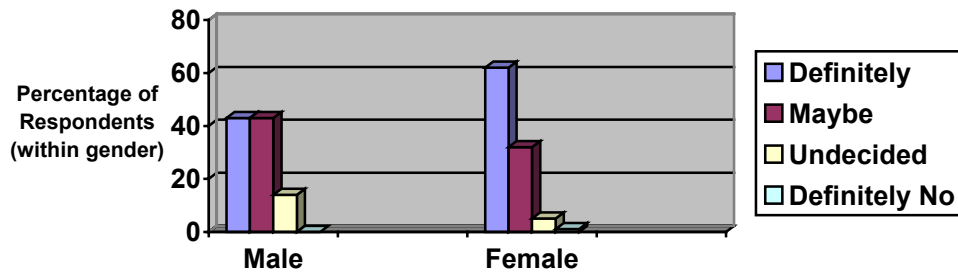
The variables of education level and propensity to use hospice services were also studied. However, no statistically significant differences were discovered with respect to educational level in our study.

**Table 3: Willingness to use hospice care for family or friend**

			Definitely	Maybe	Undecided	Definitely No	Total
GENDER	Male	Count	18	18	6	0	42
		Expected Count	23.1	14.9	3.3	.7	42.0
		% within GENDER	42.9%	42.9%	14.3%	.0%	100.0%
	Female	Count	51	26	4	1	82
		Expected Count	45.2	29.1	6.5	1.3	82.0
		% within GENDER	62.2%	31.7%	4.9%	1.2%	100.0%
Missing Value		Count	1	1	0	1	3
		Expected Count	1.7	1.1	.2	.0	3.0
		% within GENDER	33.3%	33.3%	.0%	33.3%	100.0%
Total		Count	70	45	10	2	127
		Expected Count	70.0	45.0	10.0	2.0	127.0
		% within GENDER	55.1%	35.4%	7.9%	1.6%	100.0%



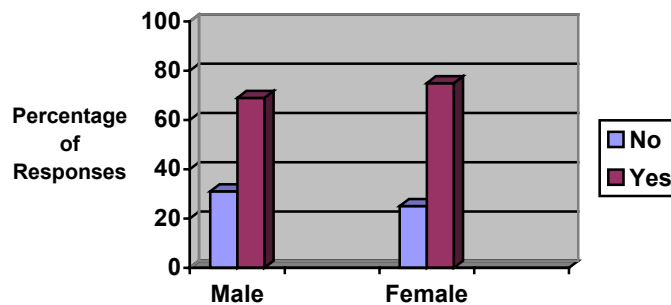
**Figure 1: Willingness to use Hospice for Terminally Ill**



**Knowledge of Hospice Payors**

Since Medicare is the largest payor for hospice services, we examined what percentage of our population realized Medicare covered hospice care. We found that 72% of our respondents stated Medicare did provide benefits for hospice care. Of the males that responded, 69% stated Medicare would cover services, and 75% of the females felt Medicare provided benefits for hospice care (Figure 2).

**Figure 2: Does Medicare cover Hospice services?**



**Where are Hospice services delivered?**

Many of the respondents (72.9%) stated that hospice care was delivered in patients' homes. Only 48.1% of the respondents agreed that hospice services were provided in hospice care facilities, and, less than one-fourth of individuals surveyed acknowledged hospice care was delivered in nursing homes (24.8%). Table 4 demonstrates the breakdown of each of these responses with regards to gender.

**Table 4: Knowledge of hospice service delivery locations**

<b>Where are Hospice Services Delivered?</b>	<b>Male</b>	<b>Female</b>
Patients' Homes	69.0%	75.0%
Hospice Facilities	40.5%	52.4%
Nursing Homes	21.4%	27.4%

**Where Should Advertising be Done for Hospice Services?**

Use of brochures/pamphlets and television were the highest-ranking mediums people felt should be used to advertise hospice services. Less than 5% of those who responded suggested hospice care should not be advertised at all. The data is summarized in Table 5.

No significant differences were noted when analyzing appropriate mediums for advertising with respect to gender, educational level, or age.

**Are Individuals Knowledgeable of Eligibility Requirements for Hospice?**

Only 34% of individuals polled stated they were familiar with eligibility requirements for hospice care. Chi-square analysis revealed statistically significant differences within groups when measured against gender (Table 6) and age (Table 7).

**Table 5: Respondents opinions regarding where to advertise KHCI Hospice Care, Inc.**

<b>Where Should Hospice Advertise?</b>	
Television	68%
Radio	52%
Newspapers	62%
Billboards	36%
Newsletter	42%
Brochures/Pamphlets	70.5%
Do Not Advertise	4.7%

**Table 6: Awareness of eligibility requirement for hospice care (Gender distribution)**

			<b>Yes</b>	<b>No</b>	<b>TOTAL</b>
<b>GENDER</b>	Male	Count	8	34	42
		Expected Count	14.6	27.4	42.0

		% within GENDER	19.0%	81.0%	100.0%
	Female	Count	34	48	82
		Expected Count	28.4	53.6	82.0
		% within GENDER	41.5%	58.5%	100.0%
Missing Value		Count	2	1	3
		Expected Count	1.0	2.0	3.0
		% within GENDER	66.7%	33.3%	100.0%
Total		Count	44	83	127
		Expected Count	44.0	83.0	127.0
		% within GENDER	34.6%	65.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.555	2	.023
Likelihood Ratio	7.893	2	.019
N of Valid Cases	127		

2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.04.

**Table 7: Awareness of eligibility requirements (Age distribution)**

			Yes	No	Total
AGE	19 or under	Count	0	4	4
		Expected Count	1.4	2.6	4.0
		% within AGE	.0%	100.0%	100.0%
	20-29	Count	10	38	48
		Expected Count	16.6	31.4	48.0
		% within AGE	20.8%	79.2%	100.0%
	30-39	Count	18	19	37
		Expected Count	12.8	24.2	37.0
		% within AGE	48.6%	51.4%	100.0%
	40-49	Count	15	12	27
		Expected Count	9.4	17.6	27.0
		% within AGE	55.6%	44.4%	100.0%
	50-59	Count	1	5	6
		Expected Count	2.1	3.9	6.0
		% within AGE	16.7%	83.3%	100.0%
	60-69	Count	0	3	3
		Expected Count	1.0	2.0	3.0
		% within AGE	.0%	100.0%	100.0%
	70-79	Count	0	2	2
		Expected Count	.7	1.3	2.0
		% within AGE	.0%	100.0%	100.0%
Total		Count	44	83	127
		Expected Count	44.0	83.0	127.0
		% within AGE	34.6%	65.4%	100.0%

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.090	6	.006
Likelihood Ratio	20.992	6	.002
N of Valid Cases	127		

8 cells (57.1%) have expected count less than 5. The minimum expected count is .69.

To investigate this issue further, we analyzed what percentage of respondents accurately stated the criteria for hospice care placement (terminally ill with life expectancy of 6 months) and 45.7% respondents were able to correctly identify this criterion for hospice care placement.

**DISCUSSION****Are Individuals Aware of KHCI Hospice Care, Inc. in the Kanawha Valley?**

The data demonstrate that the citizens of the Kanawha Valley are aware there is a hospice care facility in this area (see Table 2). KHCI Hospice Care, Inc. has done an excellent job of getting some name recognition so that the health care consumers are at least aware of the services being offered. In fact, 96% of those polled are aware there is a hospice care facility in this area. When this is further analyzed with respect to gender, the fruits of KHCI Hospice Care, Inc.'s efforts are even more amazing. In a study published in 2000, authors demonstrated 87% of females and 67% of males were aware of hospice (Newsome and Dickinson, 2000). Table 5 shows that 97.5% of females in this study and 92.5% of males are familiar with hospice. This is significantly higher than numbers

reported in the literature.

The organization has done well at exposing a wide variety of individuals to the hospice concept. Those individuals stating they were aware of hospice services in the area were present in each age group. This bodes very well for KHCI Hospice Care, Inc. since other studies have shown that certain groups of individuals are less likely to be aware of hospice services. Johnson and Slaninka (1999) demonstrated that the elderly were less likely to be aware of hospice services when compared to other age groups.

### **Willingness to Use Hospice Services**

The health care consumers of the Kanawha Valley are not just aware that these services exist but many would consider using hospice services to care for a terminally ill family member or close friend. Table 4 shows that 55.1% of the individuals surveyed stated they would "Definitely" use hospice services and another 35.4% responded they might use hospice services. This corresponds with findings from previous studies that showed 63% of individuals would choose hospice care if given the choice (Weggel, 1999). Statistically significant differences were noted with respect to gender in our study. Females were much more likely than males to respond that they definitely would use hospice services for caring for a terminally ill family member or close friend. This also corresponds with the findings from Newsome and Dickinson (2000), in which women were more likely to want to care for a terminally ill parent or close relative in the home.

### **Knowledge of Hospice Payors**

The literature demonstrates that many individuals are not knowledgeable as to the services provided by hospice organizations and how they are delivered. One study has shown that as high as 90% of individuals are unaware that Medicare covers hospice care (National Hospice and Palliative Care Organization, 2001). Our study again demonstrated that the respondents are more knowledgeable than levels reported previously. 72% of respondents agreed that Medicare did offer benefits for hospice care. Females again had a higher percentage of individuals who were aware of this aspect of hospice care.

### **Where are Hospice Services Delivered?**

Many of the respondents are cognizant that hospice care is delivered in patients' homes. Of those surveyed, 72.9% stated hospice was delivered in patients' homes. This is again much higher than numbers reported in the literature. One study showed that only 25% of Americans were aware hospice care can be delivered in patients' homes (National Hospice and Palliative Care Organization, 2001). It is not surprising that such a high percentage of respondents to our survey accurately replied hospice care can be provided in patients' homes. This is a hallmark of hospice care and helps make both the patient and family more comfortable. KHCI Hospice Care, Inc. has been providing hospice care in this region in patients' homes for many years. Thus, it is understood why so many individuals were aware of this fact.

However, it is enlightening and alarming to discover so few know that hospice care is delivered in other venues. Only 48% of respondents stated hospice care is delivered in hospice care facilities, such as the KHCI Hospice House (an inpatient facility of KHCI Hospice Care, Inc.). Also, less than one-fourth knew hospice was delivered in nursing homes. It is not surprising to find that these numbers are lower than the percentage of responses indicating care was delivered in homes. There are a couple of reasons for this. First, the KHCI Hospice House has only been open for a couple of years and is in an isolated area. As a result, not many individuals see the facility and are unaware of its existence. Secondly, KHCI Hospice Care, Inc. has only recently negotiated contracts with nursing homes in the region to deliver hospice services at these facilities. Thus, for those individuals not associated with these facilities, this information may not be widely known.

### **Where Should Advertising be Done for Hospice Services?**

It is interesting to note that the second highest rated medium for suggested advertising was television. Based on personal interviews, the researchers found that the organization has previously been approached about doing some type of a television ad campaign. However, this was not considered as a feasible option due to the high

cost. Many receive their news and entertainment today from television. Thus, it is not surprising it rated so highly among the respondents. The highest suggested medium for advertising was brochure/pamphlets, something the organization currently is participating in. It is not know whether individuals had previously seen these materials or not.

It is also of interest that 4.7% of respondents stated KHCI Hospice Care, Inc. should not advertise. Discussing hospice services is often very difficult and must be done in a professional manner. As such, a hip, humorous ad campaign is probably not the best choice. It is felt this is a possible reason for individuals stating that hospice services should not be advertised. However, it is not completely understood and was not investigated further as a part of this study.

### **Are Individuals Knowledgeable of Eligibility Requirements for Hospice?**

It is surprising that the number of respondents who accurately identified the criterion for hospice placement, 45.7%, was higher than the number who stated they were familiar with eligibility requirements, 34%. It is understandable that such a low percentage of individuals are aware of specific criteria for hospice placement. Often a physician, a nurse, or a social worker initiates the discussion of hospice placement. It is these individuals who are more acquainted with the specific requirements of hospice care. Thus, the low response on familiarity with requirements is not a surprise.

## **STRATEGIES TO IMPROVE MARKET SHARE**

### **Primary Strategy:**

From this study, it seems like that the average health care consumer in the Kanawha Valley is aware of various hospice services as well as the presence of Hospice Care. Many of these individuals are also willing to at least consider using such services, with many other stating they would definitely use hospice care for a terminally ill family member. From this, one may deduce KHCI Hospice Care, Inc. has done well in getting their name out in the public and has a good reputation for providing a high quality, valuable service. However, much still needs to be done with respect to educating these health care consumers to help improve market share.

First, the organization needs to develop a method of educating consumers about who pays for hospice care. Many individuals are unaware as to who pays for these services. This can serve as a significant barrier to accessing treatment. Secondly, there needs to be increased awareness of where the services are provided. Very few respondents knew about the KHCI Hospice House or that hospice care could be provided in local nursing homes. Finally, improved knowledge of eligibility requirements could help increase usage of services. While this also includes educating the medical community, the general public needs to be aware of these eligibility requirements. In doing so, once the family is told a family member has less than six months life expectancy they can then initiate discussion of hospice care for their family member. A majority of consumers in this region have indicated they would be willing to use hospice services. Accessing those services is the next step.

### **Secondary Strategies:**

Besides educating the consumers directly, there are several alternate ways of enhancing the market share of the hospice care organization as well. Some of the alternate techniques are provided below:

**Educate Physicians:** Hospice care organizations should make efforts to educate physicians, in particular family physicians, pediatricians, and other primary care providers, regarding the potential benefits of hospice care not only for the patients but also for the family members. Only recently, in its first-ever policy on palliative care for children, the American Academy of Pediatrics (AAP) recommends that palliative and respite care programs be established throughout the United States (Larkin 2000).

**Educate Allied Health Professionals:** Quite often patients have more contact with nurses and more opportunities to ask questions. However, a study conducted by Yale of Connecticut nurses found that less than 30% of the nurses

polled felt that they had enough knowledge to discuss hospice care with their patients. (Schiff 2001) Hospice organizations should target educational brochures and training seminars towards nurses practicing in their area of service. Pharmacists should also be targeted by the hospice care organizations.

**Educate Educators:** Hospice organizations also contact school boards to make them aware of their grief support services. The counselors may refer students for counseling and services to help deal with the loss of a loved one. These services are available even if the deceased individual was not cared for by Hospice. This provides a great opportunity for helping others and making consumers aware of offered services.

*Direct-to-consumer advertising:* Placing ads in local papers can help making the patient or the patient's family/friend aware of the availability of hospice care services. While the aforementioned promotion vehicles can assist, the major method of informing the public about hospice services is through word-of-mouth advertising and publicity. Influential public officials, political leaders, and role models can play a significant role in promoting hospice care services and organizations.

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# **RESTRICTED EXCHANGE MOTIVATORS IN SOCIAL MARKETING: A COMPARISON OF GENDER DIFFERENCES IN IMPORTANCE RATINGS AND INFLUENCES OF ADVERTISED RESTRICTED EXCHANGE BENEFITS IN REGARD TO INTEREST IN MILITARY ENLISTMENT**

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## **ABSTRACT**

*Treating military recruitment campaigns as social marketing, and using telephone survey data on 600 young, United States adults, this paper reports gender differences in importance ratings of benefits promoted by the military. Methods include differences in means and variances tests and comparisons of multiple regression models.*

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## **Introduction**

Social marketing often involves influencing voluntary behavior towards a broad social end by offering benefits for desired behaviors (Bagozzi 1975; Kotler and Andreasen 1991; Marshall 1998). Military recruitment campaigns are social marketing programs. The all-volunteer military promotes a variety of benefits and asks for an extensive time commitment, conformity to a structured life style, and obedience to a formal command structure. This exchange is difficult to obtain. Recently, the challenge has been made more difficult as attention has focused on young women and by scandals over the treatment of women (Fenner 1998). This paper assesses gender differences regarding the influence of thirteen promoted military service restricted exchange benefits. Data are provided by a Summer 2001 national survey of 600 young United States adults. Gender differences in means and multiple regression models are compared. Such assessments are important to developing targeted recruitment campaigns.

## **Methodology**

Data were gathered by a Summer 2001 telephone survey of 300 males and 300 females in the continental United States between age 18 and 24, unmarried, without children living at home, who had not enlisted in or been rejected by the military. Initial interviews were limited to persons age 18 to 20 not enrolled in a four-year college. Due to difficulty locating qualified respondents the criteria were extended to include up to age 24 and four-year college enrollees. Using a purchased list of 24,000 names, 14,642 people were contacted. The response rate was 63.7%. The disqualification rate was 93.1%. The overall completion rate was 93.2%. The primary limitation of this study is low representation of racial and ethnic minorities.

## **Operationalization of Variables**

*Interest in Military Service.* Three items were considered in assessing interest in military service. The first question asked "To what extent have you discussed serving in the military with family members? Would you say \_\_\_?" The second addressed friends. Responses were coded as "A great deal"=5, "Very much" =4, "Some"=3, "Not much"=2, and "Not at all"=1. For both questions volunteered, "Don't know" responses were coded as "1." The third question asked "At this time, how interested are you in enlisting in the United States military? Would you be \_\_\_?" Options included "Not at all interested"=1, "Somewhat disinterested"=2, "Neither interested nor disinterested"=3, "Somewhat interested"=4, and "Very interested"=5. Volunteered "Don't know" responses were coded "3." Responses to these three questions were summed to create a Propensity of Military Service Scale (Alpha=.719).

*Potential Restricted Exchange Benefits.* While developing the questionnaire the study team visited recruiting offices, reviewed recruiting materials, spoke with recruiters, and visited recruiting web sites to identify key benefits stressed in recruitment campaigns. Thirteen key, promoted benefits were included in the questionnaire: six "Intrinsic Rewards" (job training, belonging to a team, combat and firearms training, adventure, life-long friendships, and a disciplined lifestyle); four "Extrinsic Rewards - Financial" items (pay, retirement, VA home loans, and medical care); two "Extrinsic Rewards - Location and Travel" (select duty stations and travel opportunities); and one "Extrinsic Rewards- Social" item (prestige). Respondents were asked to rate the importance of each on a 1 to 5 scale (5 = Most Important, 3 = Neutral, 1= Not at all important) if they were to enlist in the military.

### **Findings**

Males had significantly higher Propensity scores than females, and significantly greater variance. Consistent with prior enlistment studies, interest in military service was low. All but one of the 13 benefits were rated statistically significantly above the neutral category ("3"). This indicates the validity of these benefits as potential motivators. Only "combat and firearms training" produced an average importance score below neutral.

*Gender Differences in Means and Variances.* For three intrinsic rewards items females' mean scores were statistically significantly higher than males' ("Training in the job I choose," "Belonging to a team," and "To make life-long friendships"). On one item, "Combat and firearms training," males had a significantly higher mean score and a significantly smaller standard deviation. "Adventure" and "To have a disciplined life style" produced no significant differences. On two of the "Extrinsic Rewards-Financial" items ("VA home loan benefits" and "Guaranteed medical care"), on both "Extrinsic Rewards - Location and Travel" items, and on the "Extrinsic Rewards-Social" item, women averaged significantly higher scores. Regarding the multiple regression models of benefits on Propensity, only one item was statistically significant for both males and females. This item, "To have a disciplined life style" produced a positive coefficient. For males the influential benefits were job training, combat and firearms training, a disciplined life style, and retirement after twenty years. VA mortgage benefits produced a significant negative coefficient for males. For females adventure, a disciplined life style, and travel opportunities produced significant positive influences, and good pay produced a significant negative influence.

### **Discussion and Recommendations**

Findings suggest ways in which military recruitment campaigns might attract a broader pool of candidates. While means analysis validated the major themes in recent campaigns, gender differences indicate the need for different appeals for men and women. Also, the regression models suggest benefits gender-profiles of the types of young adults current military enlistment campaigns attract. As current campaigns have not attracted sufficient numbers of recruits, the means analyses findings may be particularly helpful in redirecting recruitment campaigns to broaden the pool of interested young adult males and females through gender targeted campaigns stressing high importance rated restricted exchange benefits that are not now associated with expressed interest in enlistment.

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# RATIONAL CONSUMPTION: A BRIEF HISTORICAL ANALYSIS

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## ABSTRACT

*This paper examines the changes in perceptions of rational consumption through three historical periods, the early Greek, the period of religious domination and the industrial period. In each period, the changing definition of Life's goals and the means to achieve them result in changes in perceptions of rational consumption.*

## INTRODUCTION

The most difficult part of the review of rational consumption is, of course, determining what it is. To that end, an extensional bargain is to be achieved with the reader at the outset. Since there can be no historically constant description of rational consumption, it will be defined here so a common interpretation may be used throughout. Note that a common agreement is not necessarily required; only a common interpretation. Rational consumption is defined, for purposes of the present paper, as a level and form of consumption which precipitates progress toward the prevailing conception of life's ends or, at least, does not detract from progress toward those ends, whatever they may be. Within this definition, a historically transient description of rational consumption exists since the conception of life's ends and the extolled modes of achievement change from period to period. Examining rational consumption thus requires a simultaneous examination of the ends against which consumption is judged rational or not.

### Greek and Roman periods

In virtually all historical periods, the relationship of the individual to the level and purpose, or rationality, of consumption has been of interest to someone for some reason. From the ancient Greeks, for example, Pythagoras admonished that "the property of friends is common" and required all his students to place their private possessions in a common store to be used by all (Laertius p. 342). His basic belief was that there was a unity of life and the goal of each individual was to live in harmony with that unity. Consumption behavior which detracted from this unity would be considered irrational by Pythagoras. The capacity for property ownership to disrupt social harmony is evident in his belief that attachments to the material world sully the individual by promoting self-interest which would conflict with social harmony (Rudmin 1988).

Both Plato and Aristotle, though for different reasons, followed the Pythagorean view. Plato's view of the fully developed individual lay in political participation, or as citizen. His view of rational consumption then is predicated upon its role in the development of the individual in this capacity. From the perspective of consumption, Plato believed man's economic nature was excessive and pernicious and, left unconstrained, had the capacity to disrupt the social harmony of the polis. To militate against this capacity in *The Laws*, he devised a system of property ownership in which the accumulation of material goods was limited to four times the value of a lot of land. This he felt could help insure that consumption of material goods, i.e., goods of the body, would remain inferior to goods of the soul. For Plato, then, rational consumption is limited consumption stemming from deficiencies in the human capacity for self-control.

Aristotle's primary departure from Plato lay in the belief of the naturalness of ownership and its capacity for engendering moral development. Property was natural, he believed, when acquired through the direct application of human labor and, when acquired, can be shared thus precipitating social harmony. Aristotle evidences two concerns with consumption that can render it irrational and socially disruptive, however. First, when goods become commodities possessing exchange value, their naturalness disappears for "...there is no bound to the riches which spring from this art of wealth-getting (Smith and Ross 1921, 1257b 25)." His second concern lay in the necessity

that, while private ownership of goods was the common mode of ownership, common use should be the appropriate mode of consumption. This he felt was "...in the spirit of the proverb which says 'friends' goods are goods in common (Barker 1952, p. 49)." This is predicated upon his view that the best practicable state is a "...community of equals, aiming at the best life possible (Smith and Ross 1921, 1328b 35)." For Aristotle, the best possible person and the best possible citizen were identical (Diggs 1974) and it is this identity that renders the mode of consumption rational or not. That mode which promotes the best citizen, as for Plato, would be rational. Like Plato, Aristotle felt unconstrained consumption could lead to social, and thereby, individual disharmony.

This idea was to be carried forward to the Stoics of the Roman period, primarily Cicero and Seneca, and beyond. In making the concept of natural law palatable to Rome, Cicero introduced "the law of right reason in agreement with Nature" as a philosophical concept. Through natural law the equality of all men followed as a principle but not a reality. He argued to resolve this conflict that men need not be equal in wealth to be equal in rights and that true equality existed "...in the golden age when men lived by the law of nature (Schlatter 1951, p. 25)." Because men now have a corrupt nature, controls were necessary and ownership fell in the domain of conventional rather than natural law. While the Stoics approved ownership of goods, they expressed disapprobation with certain modes of consumption. They were particularly averse to the use of consumption to express one's self and held it to be unnatural (Rudmin 1988).

This disapprobation is expressed succinctly by Seneca in the Epistles, "It is not the man who has too little, but the man who craves more that is poor (Hadas 1961, p. 52)." And again in On Tranquility, he reaffirms the Aristotelian ideal in his statement, "The proper amount of wealth is that which neither descends to poverty nor is far distant from poverty....Let us accustom ourselves to set aside all ostentation, and to estimate the value of things by their uses, not their embellishments (Hadas 1961, p. 68)." Thus the Stoics continued the tradition of moderation in consumption apparently aware of the corrupting capability of consumption.

### **Period of religious dominance**

The Stoic tradition of moderation in consumption was adopted and adapted by the early Christian church since, in the early development, it was in accord with the doctrine of poverty. This was consistent with the goal of spiritual transcendence expressed by the Church and because of this view of Life's end, their disdain for material attachment was similar, if not stronger, than that of the Greeks.

One of the primary Stoic ideas retained by the Church was the notion that the justification for ownership was knowledge of use. Augustine states "Therefore, all that which is badly possessed is the property of another, but he possess badly who uses badly (Schlatter 1951, p. 38)." Further, Ambrose argues strongly against attachment to what is owned in the statement, "A possession ought to belong to the possessor, not the possessor to the possession (Avila 1983, p. 67)." These expressions of disapprobation regarding the consumption of and relation to material wealth stem directly from the goal of spiritual transcendence and the role that consumption plays in that project. Once again, the requirement for rational consumption as consumption with strict limitations on quality and quantity appears, albeit in a different historical context with a different developmental goal.

While the forces leading to dramatic changes were percolating throughout the Middle Ages, the adept juxtaposition of religious doctrine and Aristotle by Aquinas opened the door to a new definition of the individual (Kilbourne 1988). Of this, Ullmann (1966) states, "In the history of the relations between man and society, the rebirth of the individual as a full homo appears to me one of the major historical achievements of the human mind (p. 127)". The net result of Aquinas's achievement was incipient individualism which would later lead to the secularization of the rationality of consumption

Ultimately the doctrine of material simplicity came into conflict with the reality of the church, and the stage was set for the Reformation. In this historical period is found the first major transformation of the rationality of consumption in more than a thousand years of religious hegemony. It was to be developed in the Puritan morality founded predominantly in Calvinism which emigrated to America (Rudmin and Kilbourne 1989).

Of particular interest here is the Quaker form of Protestantism as it reflects a view of consumption that was the harbinger of the contemporary form. Since the Quakers held the same values of duty and thrift as other Puritans,

they were economically successful and prospered. In addition, they harbored antinomianist sentiments and rejected socially established consumption values. So long as the individual controlled wealth and not the reverse, then the enjoyment of the results of success were tolerated so long as they were not excessive. William Penn, for example, lived in non-ostentatious luxury while extolling the virtues of rational, limited consumption. The combination of these factors, material success and tolerance of non-excessive consumption, resulted in an increase in the capacity for and the use of material superfluities (Shi 1985).

### **Period of industrialization**

As their success accelerated so did the capacity for self-indulgence. The need for piety and austerity receded before the growing secularization of consumption. Opulence in consumption grew and by the mid 1700's wealthy merchants and farmers were chastised on patriotic rather than religious grounds. Samuel Adams, for example, feared the destabilizing effects of wealth accumulating in too few hands. He advocated a system for spreading wealth so that none would be too wealthy or too poor recalling the Stoic tradition. The revolution, for Adams, was to be a return to spiritualism more than a separation from England, but he was to be quite disappointed with the outcome. Instead of the Puritan ideals, the evolution was to a new economic freedom unconstrained by either religious or secular authority (Shi 1985).

The confluence of unconstrained individualism and expanding productive capacity prompted a revitalized Romantic attack on evolving levels and modes of consumption. The critique was to take a different form however. In the past, proscription on consumption was imposed from above. From the Romantics to the present, the appeal is salutary rather than commanding (Rudmin and Kilbourne 1995).

The Romantic vision of rational consumption is provided by Emerson and Wordsworth respectively in the following passages.

Tis the day of the chattel,  
Web to weave, and corn to grind;  
Things are in the saddle'  
And ride mankind (Bode 1979, p. 648).

Rapine, avarice, expense  
This is idolatry; and this we adore;  
Plain living and high thinking are no more (Wayne 1955);

It was the desire of the Romantics to transcend this emerging mode of industrial existence. The effect of material excess was already evident in society and Thoreau, the foremost practitioner of rational consumption reacted to it in vitriolic fashion. His animus for the new found consumption ethic is evident throughout Walden. His views on the effect of consumption on individual development, the professed goal of the Romantics, is especially important for this paper. In addition, his ideas have been carried forward to the present and have been incorporated into the works of contemporary critics of consumption such as Gregg (1936) and Elgin (1981) two of the leading proponents of voluntary simplicity (Rudmin and Kilbourne 1995).

Simplicity, simplicity, simplicity! I say, let your affairs be as two or three, and not a hundred or a thousand; instead of a million, count half a dozen, and keep your accounts on your thumb nail (Shanley 1973, p. 91).

This expresses Thoreau's vision that plain living and high thinking come from the life unencumbered by material superfluities. It was evident, however, that the lowest common denominator of success was material acquisition even as early as 1845. Cognizant of this development early on, Thoreau admitted that his vision was not for all.

As for the rest of my readers, they will accept such portion as apply to them (Shanley 1973, p. 4).

And he further expresses the Stoic position on the relationship between knowledge of use and accumulation in the passage:

If there are any to whom it is no interruption to acquire these things, and who know how to use them when acquired, I relinquish to them the pursuit (Shanley 1973, p. 70).

As for the relationship between consumption and development in the individual not immune to the "slings and arrows of outrageous consumption" he offers these perspicuous cautions (Shanley 1973):

With consummate skill he has set his trap with a hair spring to catch comfort and independence, and then, as he turned away, got his own leg in it (p. 33).

And the farmer has got his house, he may not be the richer but the poorer for it, and it be the house that has got him (p. 33).

I also have in my mind that seemingly wealthy, but most terribly impoverished class of all, who have accumulated dross, but know not how to use it, or get rid of it, and thus have forged their own golden and silver fetters (p. 16).

...for a man is rich in proportion to the number of things he can afford to let alone (p. 82).

The similarities between the Romantic and the Stoic visions of rational consumption are evident in these passages. The last is also attributed to Socrates (Laertius 1853). Thoreau's motivation for these statements was the development of individual potential through plain living and high thinking. Aware of the failure of the industrial humanization experiments in Lowell, he explicitly denied the possibility that individual growth, the Romantic ideal, could be achieved within the evolving system of industrialization and mass production. Thoreau's prognosis appears to have been correct and as Shi (1985) comments, it was not the golden age that evolved, but the gilded age.

Irrationality is probably the fitting description of the mode of consumption accompanying incipient mass production. Consumption was rendered irrational, relative to the historical vision, by the exigencies of mass production requiring the rationalization of production. Mass consumption is the *sine qua non* of this rational form of production. For this new industrial regime to develop and sustain itself, a new social regime was indispensable. Consequently, a new vision of individual development was a concomitant. While the individual had been freed from religious hegemony, the locus of development still lay within the individual through humanistic transcendence and the vision of rational consumption still extolled simplicity as the mode of consumptive behavior.

Simplicity in consumption is, however, incompatible with the industrial mode of existence since every increase in the capacity to produce must be accompanied by an equivalent increase in the willingness to consume. This exigency of mass production precipitated a vulgarization of day to day existence about which Howells (1878) commented, "new wants were invented, prudence and simplicity of life went out of fashion (Shi 1985, p. 155)." Further, the changes wrought gravitated to the common man and, as Veblen (1899) observed, pecuniary invidiousness was now characteristic of the lower classes as well as the upper classes. Rational consumption, as envisioned by the Greeks, Christian fathers and Romantics, was changing its character in the new social organization precipitated by advancing industrialization. Where rational had historically been equated with less, the new regime was resulting in a radical transformation of the historical ideal to its antithesis. Harmony and unity were being redefined as conformity to the exigencies of mass production. With the changing definition came a transformation of the mode of existence to one in harmony, not with the needs of the individual, but the needs of the production process itself, i.e., to mass produce ever increasing quantities of material goods (Marcuse 1969). Society's vision of itself, its very consciousness, was being transformed.

As capacity to satisfy true needs (in the Romantic sense) was exceeded, needs were redefined elevating the unnecessary to the necessary, effectively turning the individual against himself and consuming his potential rather than developing it (Marcuse 1969). By redirecting the focus of social unrest precipitated by industrialization back on the individual and then proffering consumption as the solution, as suggested by Ewen (1976), industrialists engendered a new vision of consumption, therapeutic consumption. With the introjection of the new consumption rationality, "plain living and high thinking" are, as Wordsworth suggested, no more. Babbit is Everyman and Thoreau's "trap with a hair spring" is set to snare the unsuspecting and suspecting alike.

Overcoming the barriers imposed by the rationalization of production requires elevated purpose, methodical disengagement from the *status quo* and desublimation of consumption. Plain living does not precipitate high thinking. Rather, high thinking is now requisite for plain living. This effectively renders the commodified form of existence irrational in its extolled rationality. To explain this somewhat anomalous conclusion, we must return to the goals precipitating the judgment of what is rational as suggested at the outset.

The goal proffered in contemporary society differs little from that of the Greeks or Romantics; it is the development of individual potential. The transformation has occurred in the definition of how one proceeds in developing that potential. Therapeutic consumption is now extolled as the rational mode of consumption, i.e., the one through which individual development can be achieved. However, this mode of consumption is endemic to rationalized production and is rendered rational only in its capacity to sustain the prevailing mode of production. But it was engendered to sustain the mass production process, and as suggested by Marcuse (1964), effectively turns individuals against themselves consuming rather than developing potential. Therapeutic consumption is, therefore, rational in that it sustains the capitalist mode of production but irrational because it sustains the commodified form of existence through which the individual cannot develop potentialities. The prevailing mode of thought within the dominant class is that sustaining the mode of production will automatically result in the development of the individual. This is considered an *ersatz* development by contemporary critics of consumption practices and is, therefore, considered by them to be irrational.

### SUMMARY

Thus we have seen in this brief historical sketch, a radical transformation of the vision of rational consumption. From the early Greeks through the Romantics, simplicity in both quantity and quality of consumption has been extolled as the rational mode, i.e., that which will lead the individual to the appropriate end. While each of the historical periods examined has extolled a different end and different paths to that end, the visions of rational consumption have consistently maintained an air of simplicity. Less is better! From the beginnings of industrialization, a radical transformation of this vision has emerged.

As a result of the exigencies of mass production, rational consumption as “less” receded before the juggernaut of industrial rationalization. While the locus of development remained within the individual, a radical transformation of the means has been engendered within which therapeutic consumption is proffered as the appropriate mode of rational consumption. More is better has become the dominant organizing principle in contemporary industrial society.

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## THE BUSINESS ENVIRONMENT IN THE AFTERMATH OF 9-11: A RETURN TO (A NEW) NORMALCY?

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### ABSTRACT

*After the 9/11 terrorist attacks and the anthrax scare, two themes have appeared in the American media: (1) things will never be the same, and (2) we're back to normal. This paper examines evidence concerning these themes. The literature review is used as a background for empirical data, providing evidence that the USA is returning to a sense of normalcy.*

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### INTRODUCTION

The United States suffered a collective shock with the terrorist attacks of September 11, 2001, and the ensuing anthrax incidents. Massive media coverage of these events and the ensuing military action in Afghanistan held the American public's attention for months. Much of the news media, as well as academic journals, have presented the idea that the social and business environments of the United States (and the rest of the world) have radically changed since the 9-11 attacks (Begley and Isikoff Oct. 22, 2001; *HR Focus* Feb. 2002; Hazard Mar. 6, 2002; Pobst Mar. 2002; Schuster et al. Nov. 15, 2001; Worcester Spring, 2002). In spite of this, there has also been a consistent theme that the United States is returning to normalcy (Bailey Oct. 23, 2001; Clymer May 20, 2002; *Public Relations Tactics* Nov. 2001; Starkman Oct. 3, 2001). This paper will address this apparent discrepancy by providing insights into how Americans have adjusted to the events of 9/11 and the ensuing anthrax mail scare.

### THE EXPECTATION OF TERROR

Human beings have experienced terror throughout their existence. In pre-history, humans dealt with terrifying incidents involving predators and catastrophic occurrences in the natural environment, such as tornados, hurricanes, thunderstorms, and floods. In historic times, humans have also dealt with catastrophic events caused by other humans, such as physical assaults, murder, and war. More recently, Americans have become the specific targets of non-governmental terrorist groups. The intentionality, perseverance, resources, and capabilities of these groups have made this type of terror qualitatively different than terror that Americans had previously faced.

This newer type of terror did not start on September 11, 2001, but was preceded by several incidents that showed the vulnerability of the United States to terrorist attacks. The first World Trade Center attack (February 26, 1993), the Oklahoma City bombing (April 19, 1995), and the Olympic Park bombing in Atlanta, Georgia (July 27, 1996) all showed this vulnerability within the borders of the USA (Kuzma 2000). Terrorist attacks on American targets outside of the USA were frequent enough to seem almost normal. A partial listing of recent, successful attacks would include targets such as a military barracks in Saudi Arabia, a simultaneous attack on two United States embassies in East Africa, and the USS Cole in Yemen.

Anti-American terrorists, then, had already exhibited the ability to operate within the United States and to carry out sophisticated, coordinated attacks long before the 9/11 events. In general, Americans expected terrorist attacks. In seven polls from 1986 to 1996, approximately half of the respondents answered "very concerned" to this question, "How concerned are you that there will be violence from international terrorists in the United States...are you very concerned, somewhat concerned, or not very concerned?" (Kuzma 2000, p. 98). The 9/11 attacks do seem unique, however, for at least four reasons: (1) the huge loss of human life, (2) the choice of targets indicating both

the American government and society (particularly business) as the enemy, (3) the extensive media coverage of the attacks and their aftermath, and (4) the response of the American government.

### THE INDIVIDUAL'S RESPONSE TO TERROR

Baron (1992) reports that Piaget identified two components of human beings' adaptation to their environment, assimilation and accommodation. Assimilation refers to the integration of new experiences and information into existing cognitive schema. Accommodation refers to the modification of existing cognitive schema to better fit the new experiences and information.

Our major research question, then, is whether the new assessment of the risk of terrorist attacks has fit into Americans' pre-9/11 schemas, or whether cognitive schemas have changed. In other words, is the world the "same old place" with a little extra risk, or is it fundamentally a new, more dangerous place than we had previously realized? A further possibility is that both assimilation and accommodation have occurred in different cognitive domains important to business.

#### **America Has Been Fundamentally Changed By The 9/11 Events**

Schuster et al. (Nov. 15, 2002), found that many Americans exhibited some stress symptoms in the wake of 9/11. They concluded that this stress, and its associated anxiety and Post-Traumatic Stress Disorder, are "unlikely to disappear soon (p. 1510)." Since 9/11, employees have had more anxiety, a higher demand for counseling, a decrease in morale, and lower productivity (*HR Focus* Feb. 2002).

In the aftermath of 9/11, Americans perceive each other as fairer, more helpful, and more trustworthy (Morin and Deane Sept. 8, 2002; Schorr Nov./Dec. 2001) than previously. Further, Americans report stronger feelings of patriotism (Morin and Deane Sept. 8, 2002; Pobst Mar. 2002). However, immediately after 9/11, 40% of Americans reported that their sense of personal safety and security had been shaken. This level of concern remained at 40% into May 2002 (Morin May 3, 2002). This insecurity may explain why a larger proportion of people are now interested in saving and paying down debt (Hazard Mar. 6, 2002), and why support for the U.S. military remains extremely high (Morin and Deane Sept. 8, 2002). In business-to-business direct marketing, security concerns—increased because of the anthrax scare—were predicted to lead to less "snail mail" and more email in the future (Clark and Froom Oct. 29, 2001).

Morin and Deane (Sept. 8, 2002) noted that shortly after the 9/11 events, everything American seemed to benefit from the wave of patriotism. For example, 56% of Americans reported being very proud of American literature and art in late September, 2001, up from only 28% in 1996. This pride in the arts had waned again by September 2002 to 46%. This "halo effect" for all things American is likely to continue to diminish until it disappears, except for those domains that are directly relevant to defense and national security.

#### **America Has Not Been Fundamentally Changed By The 9/11 Events**

Many attitudinal changes occurred immediately after the 9/11 events and the anthrax mail scare. General attitudinal changes have been reported toward the institutions of government (Etzioni Aug. 26, 2002; Kiefer May 31, 2002; Morin May 3, 2002; Schorr Nov/Dec 2001), religion (Clymer May 20, 2002; Pobst March 2002), patriotism (Morin and Deane Sept. 8, 2002; Schorr Nov/Dec 2001), and personal stress, anxiety, and security (*HR Focus* Feb. 2002; Schuster et al. Nov. 15, 2001). Trends for certain reactions in the business community have also been reported, including the airline industry (*Airline Industry Information* Aug. 12, 2002; Clark Sept. 25, 2001; *World Airline News* Oct. 19, 2001), retailing (Berry Oct. 13, 2001; Kulish, Ball, and Caffrey Sept. 14, 2001; Starkman Oct. 3, 2001), and small business (Bailey Oct. 3 and Oct. 23, 2001). Many of these changes, however, returned quickly toward their pre-9/11 levels, indicating little long-lasting change.

National Issues: Immediately after 9/11, terrorism became the most important issue to the American

public. By December 2001, the economy had returned to its number one position, while terrorism had dropped to number two. Health care and education, which had not registered as national issues just after 9/11, had returned to being concerns by December (Kiefer Dec. 11, 2001). Keifer termed this a “drift toward normal.”

During previous times of crisis in the United States (after the Pearl Harbor attack, the Cuban missile crisis, the Gulf War, and the Oklahoma City bombing), two changes in American public opinion occurred, (1) support for the U.S. president rose sharply, and (2) support for the curtailment of civil liberties in the interests of more security. When the public’s perception of these threats lessened, their opinions of the president and civil liberties returned to normal; i.e., there was no permanent change in these opinions (Clymer May 20, 2002; Etzioni Aug. 22, 2002). There is certainly evidence from public opinion polls verifying this process at work again as 9/11 becomes more distant in time (Clymer May 20, 2002; Etzioni Aug. 22, 2002; Keifer May 31, 2002).

Americans’ trust in their government soared immediately after 9/11, but has since dropped toward its pre-9/11 level (Keifer May 31, 2002). A Brookings poll showed public trust of the federal government at 29% just before 9/11. This went up to 57% just after 9/11, and had receded to 40% by May 2002 (Keifer May 31, 2002). Americans’ confidence in their society’s institutions was also unusually high just after 9/11, but has since fallen to more normal levels (Morin May 3, 2002; Schorr Nov. Dec. 2001).

Although much has been written about a post-9/11 return to religion, evidence for such a change is weak. Although college students have reported praying more often (*Chronicle of Higher Education* Feb. 22, 2002), church attendance and religion’s relevance in Americans’ personal lives remain unchanged (Clymer May 20, 2002; Pobst March 2002).

Interest in the international aspects of the 9/11 terror attack might be expected to increase the American public’s interest in foreign news, but this has proved not to be the case. While 58% of Americans reported following foreign news very or somewhat closely in 2000, this increased only to 66% by 2002 (Kurtz June 10, 2002).

Retailing: Retailing in the United States returned to normal quickly after 9/11. Traffic at shopping malls fell 65% on 9/11. Within a few days, however, traffic was only down 10% from year earlier levels, and by September 29—only 18 days after the terrorist attacks—traffic was actually 3.4% higher than year earlier levels (Starkman Oct. 3, 2001). Berry (Oct. 13, 2001) reported that Broadway ticket sales, Las Vegas bookings, and automobile sales had returned to near normal levels after taking severe drops immediately after 9/11. Indeed, Kulish, Ball, and Caffrey (Sept. 9, 2001) reported cancellation downturns for some activities (e.g., professional and collegiate football games), but a quick return to normalcy. Wal-Mart’s sales dropped 10% immediately, but had returned to normal levels by September 13—only two days after the 9/11 attacks (Kulish, Ball, and Caffrey Sept. 14, 2001). Clark and Froom (Oct. 29, 2001) noted some cancellations and downscaling of direct mail campaigns, but believed most of this would be short-lived.

The Airline Industry: There was an immediate, near total disruption of air traffic in the United States on 9/11, which continued for several days thereafter. However, Clark (Sept. 25, 2001) found that although some companies intended to use video-conferencing and automobiles to substitute for air travel, most companies hadn’t suspended business travel by air. The *World Airline News* (Oct. 19, 2001) reported that approximately 85% of both business and leisure travelers would not change their air travel plans. Two days after the terrorist attacks, 59% of Americans indicated a fear of flying. By October 7, this had dropped to 40%, with a further drop to 20% by January 1, 2002 (Pobst March, 2002). Later, *Airline Industry Information* (Aug. 12, 2002) reported that global air traffic was down just 4%, and domestic American air traffic was down just 7% from year earlier levels. These slightly lower levels may be a lingering effect of 9/11, or simply an indication of the global economic downturn of the past year or two.

General Business Environment: A public opinion survey in late October 2001 indicated that Americans wanted marketing and corporate communications to return to normal (*Public Relations Tactics* Nov. 2001). Brown (Oct. 22, 2001) concluded that Canadian business was likely to be down only slightly because of the 9/11 attacks. In the two weeks after 9/11, small business owners were pessimistic, expecting sales declines and paring down their hiring and investment plans (Bailey Oct. 3, 2001). One month after 9/11, 34% of small business owners reported

lower sales, 5% reported higher sales, and 46% reported that sales had increased within the past week (Bailey Oct. 23, 2001). Bailey concluded that small business sales had fallen after 9/11, but had begun to rebound shortly afterward.

### **Demographic Differences In The Response To 9/11**

Age has been found to make a difference to the respondents' reaction to the 9/11 terrorist attacks. Schuster et al. (Nov. 15, 2001) found that adults had more severe stress reactions than children. Older people were also more likely than younger people to become interested in foreign news (Kurtz June 10, 2002). In the stock market uncertainty just after 9/11, older people made up the 20% who were buying, while younger people made up the 80% who were selling (Bennett Sept. 21, 2001).

Gender has also been found to make a difference. Females were more likely to have a severe stress reaction (Schuster et al. Nov. 15, 2001), and to be concerned about terrorism (*Chronicle of Higher Education* Feb. 22, 2002), and to have found 9/11 a life changing event (Pobst March, 2002).

Reactions to 9/11 differed based on race as well. Non-Whites were more likely than Whites to suffer from stress after 9/11. Ninety percent of Americans initially supported the war in Afghanistan, but only 70% of Blacks. Members of groups who have historically suffered discrimination in the United States (e.g., Blacks, Chicanos, Koreans, and Chinese) have more concerns than Whites about the killing of innocents in the bombings of Afghanistan and Iraq (Fears Oct. 29, 2001). Blacks were also much more concerned than Whites about losing civil liberties in the name of security (Clymer May 20, 2002; Pobst March, 2002). Reactions to 9/11, then, were not homogeneous; there is a population divide among Americans based on gender, race, and age.

## **CONCLUSIONS BASED ON THE LITERATURE REVIEW**

The literature seems to support the view that Americans have both accommodated and assimilated in response to the terrorist attacks of 9/11. Cognitive schemas about personal safety and security, patriotism, and the normal course of air travel may have changed—indicating accommodation. American views about government, religion, and business in general; however, do not seem to have appreciably changed—indicating assimilation. Although Americans may feel more anxiety and less secure in their daily lives, this does not seem to have affected their normal, day-to-day activities. The empirical research tested these conclusions with regard to a university community.

## **METHOD**

Our research goal was to determine how students, faculty, and staff perceived the business activities and environment to have changed since the 9/11 and anthrax attacks. Specifically, have there been long-lasting changes that would indicate a change in their cognitive schemas? Several classes of upper level business students were asked to generate statements about post-9/11 changes related to business. These were developed into a survey instrument, pretested, revised for clarity, and subsequently administered to students, faculty, and staff. Survey information was collected in late March and April 2001, with 315 usable surveys returned. The items were rated by each respondent on a 1 – 5 Likert scale, ranging from “strongly disagree” to “strongly agree.” Characteristics of the respondents are reported in Table 1, and items of interest and responses are reported in Table 2. Table 3 reports the results of t-tests on demographic variables found important in previous studies.

## EMPIRICAL RESULTS

**Table 1. Demographic Characteristics of the Respondents**

Demographics:	Description of Respondents:		
Gender	Male = 143	Female = 170	Missing Information = 2
Ethnicity	White = 202	Hispanic = 2	African American/Black = 37
	East Asian = 15	Other = 16	Missing Information = 43
Status	Freshman = 54	Sophomore = 53	Junior = 67
	Senior = 69	Grad Student = 44	Faculty/Staff = 28
Age	Range = 19 – 63	Mean Age = 24.5	

**Table 2. Respondents' Agreement with Statements.**

Statements:	Agree	Disagree
	%	%
1. I feel comfortable visiting theme parks (Disney World, Six Flags, etc.), movie theaters, and other recreational facilities where crowds gather.	76.7	11.3
2. I am concerned about security in mail delivery.	36.0	42.0
3. The threat of terror makes tall buildings risky places to visit.	31.2	54.2
4. The threat of terror makes any public place risky to visit.	29.6	59.9
5. I feel comfortable visiting malls.	86.2	5.1
6. I am less willing to give out personal information because of post 9/11 security concerns.	40.9	36.6
7. The USA cannot be made terror-proof.	83.1	6.2
8. I now watch TV news regularly because of national security concerns.	47.4	38.4
9. People are now more patriotic than before 9/11.	85.5	8.1
10. Businesses should increase research in producing safe packages.	68.6	5.2
11. Businesses should absorb the cost of making products safe.	60.2	15.7
12. In spite of all the news stories, 9/11 has not affected me much.	59.3	25.7
13. I believe the US social environment will soon be back to normal.	58.0	19.9
“Strongly disagree” and “disagree” responses were combined, and “strongly agree” and “agree” were also combined. Percentages do not add up to 100% due to the omission of “no opinion” and “undecided” responses.		

While Schuster et al. (Nov. 15, 2001) reported 44% of respondents having substantial stress; our evidence of this is much lower. None of our items looked for direct indicators of stress, but items 2, 3, 4, 6, 7, 12, and 13, provide hints of the respondents' stress reactions. Taken as a whole, these items might indicate a substantial increase in stress for roughly 30% of the respondents. The review of previous articles found a profound increase in patriotism, and this result was confirmed by our data. Item 9 found respondents believing people were now more patriotic by a 10 to 1 margin. Evidence for people's feelings of safety and security can be garnered from items 1, 3, 4, 5, 6, 12, and 13. Taken together, these items demonstrate an increased awareness of risk (e.g., items 2, 3, & 4), but a willingness to tolerate this increase (e.g., items 1, 5, 12, & 13).

Item 8 looked at respondents' concern with news related to national security. Although not directly comparable with Kurtz's (June 10, 2002) report on Americans' interest in *foreign* news, our results were strikingly similar. Kurtz reported 66% of Americans following foreign news, while 55% of those expressing agreement or disagreement on our item 8 were in agreement.

Retailing was one area that was reported to have returned to normal quickly after 9/11. Our items 1 and 5 dealt with comfort at recreational activities and malls. By wide margins (17 to 1 for item 5) respondents were comfortable in typical retail settings. For direct marketers, responses to items 2 and 6 might create concerns. Over one-third of our respondents were concerned about mail security, and a slightly larger number were less willing to give information that would be useful to database marketers. The Direct Marketing Association has, however, provided advice to direct marketers on how to lessen recipients' security concerns (Clark and Froom Oct. 29, 2001).

Our data also provides evidence about the differences in America based on gender, age, and race. We found females in stronger agreement than males with items 3 and 6—indicating more concern with personal security, and less in agreement with item 13—an indication of a belief in a longer-lasting change in our society. From our review of previous studies (Pobst March 2002), we expected to find a gender difference on item 12, but none appeared.

No differences based on age were found for item 8, our “keeping up with national security news” item. We did find our older respondents more in agreement with items 7 and 9, and less in agreement with items 9, 11, and 12. This may indicate that older people, when compared to younger ones, see less of an increase in patriotism, and feel that the 9/11 events have affected their lives more.

Black respondents rated public places as riskier than Whites, as well as being more in agreement with the statement that businesses should assume the responsibility of making products safe. Whites perceived people as more patriotic in larger numbers than Blacks.

**Table 3. Differences Based on Gender, Age, and Race.**

Demographic Variable:	Statement Number:								
	1	2	3	4	5	6	7	8	9
Gender: F = female; M = male			F .02			F .03			
Ethnicity: B = Black; W = White				B .00					W .05
Age: O = 26 & older; Y = 25 & younger							O .02		Y .02

The group having the higher mean agreement with the statement is noted in each cell where a significant difference was found, along with the  $p$  value. Vacant cells had no significant difference between the two groups, at a  $p < .05$  level.

## CONCLUSIONS

The evidence we have found from other published sources would generally support the conclusion that Americans have assimilated the effects of the 9/11 events into their existing, pre-9/11 cognitive schemas. Evidence does exist, however, that Americans are concerned about personal safety and security (Morin May 3, 2002).

However, while about 30% of the respondents to this survey identified tall buildings or any public places as risky, Kuzma (2000, page 100) reports that a similar percentage of the population was concerned in surveys performed in 1996 (34%) and 1997 (35%). It appears that previously held concerns about public places were *confirmed* by the events of 9/11—not changed, hence no change in the individual’s cognitive schema should have been necessary. American consumers may adjust their shopping behaviors for certain products (e.g., airline travel), or certain methods of purchasing (e.g., direct mail), but these are likely to be incremental changes rather than radical ones.

This study also found significant differences among respondents based on gender, age, and race. This indicates that the “9/11 experience” has been lived and interpreted differently by members of these groups. Marketers should not assume that reactions to the 9/11 events were uniform among differing demographic groups. Different views of patriotism, security in the United States, and the role of business in creating a safe environment should be the subjects of further research.

It should be stressed that the respondents to this survey constituted a convenience sample from a university community. While the literature review gives a background for interpreting the data, these conclusions should not be generalized to a larger population.

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# FEATURES OF WEB SITE DESIGN, PERCEPTIONS OF WEB SITE QUALITY, AND PATRONAGE BEHAVIOR

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## ABSTRACT

To deliver satisfying experience for online shoppers, it is important to define and understand Web site quality. We employ the literature on SERVQUAL and TAM to develop a conceptual model. Three issues are examined: antecedents of Web site quality, dimensions of this quality judgment, and consequence of Web site quality.

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## INTRODUCTION

Internet shopping is popular with consumers. Many on-ground companies are adding an Internet component to their business. A high-quality Web site has the potential to attract more consumers and encourage them to purchase goods and revisit the site. At present, there are a variety of approaches for measuring Web site quality. Some researchers (Loiacono et al 2002; Aladwani and Palvia 2001; Ranganathan and Ganapathy 2002; Liu and Arnett 2000) focus on the technical quality of the Web site. Some define Web site quality in terms of the service quality provided to consumers (Zeithaml et al. 2002). Key dimensions investigated for Web site quality in past research include: design, content, entertainment, usability, reliability, interactivity, security, and privacy. Most of the extant research has focused on developing ways to measure perceived Web site quality. Relatively few studies have explored the following two topics: 1) the antecedents (e.g., the features or resources on the commercial Web site) of perceived Web site quality and 2) the consequence of consumers' perception of Web site quality (e.g., patronage behavior).

In this paper, we focus on a B2C situation where consumers visit the Web site for the purpose of making eventual purchase. We are interested in the antecedents and consequence of consumers' perceived Web site quality. Thus the objectives of this paper are as follows: 1) to identify the key Web site features (e.g., interface design, fulfillment policy) that influence consumers' judgment of Web site quality 2) To explore the dimensions (e.g., interactivity, usability, and entertainment) underlying this quality judgment and 3) To illustrate consequences (e.g., consumer patronage behavior, site loyalty) associated with perceived Web site quality. To develop our conceptual framework, we employ two models, SERVQUAL and TAM, which are popular in the marketing and MIS literatures. An overall conceptual model is created to summarize the key relationships.

## CONCEPTUAL BACKGROUND

Much effort has been devoted to defining and measuring service quality in on-ground shopping. Parasuraman et al. (1985) define service quality as the perceptions resulting from a comparison of consumer expectations with actual service performance. In order to measure service quality, Parasuraman et al. (1985, 1988) propose 10 constructs (based upon focus group interviews): access, communication, competence, courtesy, credibility, reliability, responsiveness, security, tangibles, and understanding/knowing customers. Based on an empirical test, they identify five dimensions of service quality-tangibility, reliability, responsiveness, assurance, and empathy. They call this instrument SERVQUAL. Using this SERVQUAL model as a guideline, we will examine the dimensions associated with Web site quality. Of course, there will be some differences between SERVQUAL and Web site quality. For instance, the empathy dimension of service quality is probably not critical factor in online shopping. Other factors

emerge as important dimensions for Internet shopping (such as navigation or site design).

One of the most widely applied technology-adoption models in the MIS literature is TAM (Technology Acceptance Model (Davis 1989, Davis et al. 1989)). The objective of TAM is to represent antecedents of system usage through beliefs of two factors: perceived ease of use and perceived usefulness. According to the TAM, overall attitude toward using the technology is affected by two beliefs, and this attitude positively influences the intention to use. TAM also specifies that two beliefs, perceived usefulness and perceived ease of use, are affected by various external variables. For example, the objective design characteristics of a system have an effect on perception of “ease of use” perceptions. In our paper, we employ SERVQUAL and TAM as a conceptual background for investigating perceived Web site quality. Three issues are examined: antecedents of the Web site quality, dimensions of this quality judgment, and consequence of Web site quality. Our overall conceptual model is presented in Figure 1.

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FIGURE 1 ABOUT HERE  
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### **Site Design as Antecedent of Perceived Web Site Quality**

A shopping site can be considered as a group of features that appeal (or not) to consumers. For instance, overall site structure influences search behaviors. Similarly, consumers consider the delivery and return prior to purchase. Web site design is a gestalt process that includes aesthetic judgments, artistic sensibility, creativity, and a consideration of goals and strategies. The building blocks of Web site design include such items as links, colors, user interface, information access, fulfillment policy and more.

### **User Interface**

Interface includes such issues as navigation, site organization, searching ease, user-controlled navigation, links, cross-platform design, writing style, and multimedia capabilities (Nielson 2000; Lynch and Horton 1999; Constantine and Lockwood 1999). Each of these 8 elements of interface is discussed in the following section.

Given that the Web is a navigational system, it is necessary for consumers to be provided with *navigational support*. According to Nielson (2000), navigation interface needs to answer three basic questions: Where am I?, Where have I been?, and Where can I go? No matter how we design the navigation interface, the Internet site should be built on clear structure. If the *site organization* is confused, no good navigation support could help it. *Searching ease* is necessary for all shopping sites. Although some consumers find the information or product with browsing menu or links, most of consumers are likely to find the information as fast as possible. On the Web, consumers control the progress of their navigation through the pages. Internet sites need to support *user-controlled navigation* and help consumers manage large amounts of information. Web page should provide consumers trustworthy information sources. *Links* are the most important part of hypertext. They connect the pages and allow consumers to go to new and exciting places on the Web (Nielson 2000). Web pages need to be designed to users who come from *different platform* such as small or big screen, slow modem or broadband and ‘Explore’ or ‘Netscape’. Web page is more independent than print publication in terms of going directly to the specific information without reading preface. Therefore *Web writing* should be hypertext link, clear, concise, and complete enough to inform consumers properly of contents. Most powerful technology of visual communication is *multimedia technology* combining text, graphics, sounds, and moving images to supplement the consumers’ shopping experience. For example, consumers are able to try clothes and see their appearances from different angles through virtual model.

### **Information Access**

The Internet can be a convenient place for potential consumers to gather information. Thus, Information access

is key features of Web site design. Consumers seek general information, product/service information, customer support information, customer service information (Aladwani and Palvia 2002), complete information on particular products, and information to compare across alternatives (Ranganaghan and Ganapathy 2002). On the Internet, consumers do not have an opportunity to feel or touch the product or talk with sales people. Therefore, if they have unusual questions, they will leave the shopping site and visit other sites (or stores).

### **Fulfillment Policy**

Fulfillment is the whole process between placing the order and delivering the products (or service). Fulfillment policy is a key feature of site design. To provide complete fulfillment service, orders should be entered correctly, processed rapidly, sent to the appropriate location, and delivered on time. From the consumers' point of view, fulfillment is related to issues such as correct order procedure, fast and low-cost delivery, and interactive customer support. Consumers are concerned about being unable to return an item if it fails to meet their approval (Bhatnagar et al. 2000). Consumers are re-assured when they are informed about the progress of the order process, step-by-step. For example, many sites provide an order tracking service that keeps consumers informed via email.

### **Dimensions of Perceived Web Site Quality**

Academic research in MIS and Marketing has identified a number of dimensions that consumers use in judging Web site quality. These include (1) design (e.g., organization, quality of structure, appearance, and aesthetic); (2) content (e.g., information, content quality, and specific content); (3) entertainment (e.g., friendliness and playfulness); (4) ease of use (e.g., navigation and usability); (5) reliability; (6) interactivity (e.g., communication and understanding individual); (7) security; (8) privacy. We explore the dimensions of perceived Web site quality based on traditional SERVQUAL dimensions. Parasuraman et al.(1988) identify 5 dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy. In addition, we add some new dimensions (e.g., usability) which is unique to the Internet. Thus, we introduce the technical adoption model (TAM) to derive Internet related dimensions. After incorporating the TAM dimensions, we identify seven dimensions associated with perceived quality: interactivity, usability, reliability, content quality, entertainment, privacy and security, and merchant brand image. We propose three key features of the Web site (e.g., site design, information access, and fulfillment policy) influence consumers' perception of quality.

### **Interactivity**

Interactivity has been widely discussed in many fields such as marketing, advertising, communication, and MIS. Blattberg and Deighton (1991) define interactivity as individuals and organizations communicating directly with one another regardless of distance or time. Ha and James (1998) identify five characteristics of interactivity: playfulness, choice, connectedness, information collection, and reciprocal communication. Some researchers define interactivity on the Internet. Interactivity involves the extent to which users can participate in exchanges with the site, and whether the information on a site is one-way or two-way (Zeithaml et al. 2002). Loiacono et al. (2002) define interactivity is the extent to which Web site users can communicate with the people; interactively search for information; and conduct transactions through the Web site. In summary, two keys are associated with interactivity: interpersonal communication and time. Interpersonal communication implies that consumers can easily communicate with e-tailers. Web site interactivity is influenced by the speed at which messages delivered and the speed at which individuals can process messages (McMillan and Hwang, 2002). Interactivity enables consumers to navigate and find very quickly what they are seeking. Thus, we define the interactivity dimension as the extent to which consumers think that the Web site provides interpersonal communication and real-time responsiveness. Interactivity is relevant in the traditional SERVQUAL instrument. For instance, communication and responsiveness dimensions are associated with interactivity dimension of Web site quality. Communication in SERVQUAL, which could be analogous to interpersonal communication, means keeping consumers informed in language that they could understand and listen to them. Responsiveness in SERVQUAL, which concerns the willingness or readiness of employee to provide service, is similar to real-time responsiveness.

Consumers' perception of this interactivity is affected by interface design and fulfillment policy. Design elements such as navigation, or link features serve to accomplish real-time responsiveness and interpersonal communication. An effective fulfillment policy means that the Web site provides interpersonal communication service. By applying TAM framework to explain the relationship between external variables and users' perception, we identify interface and fulfillment policy as external variables affecting interactivity dimension.

### **Usability**

Since Internet shopping may appear new and complex to novice users, usability is a key factor affecting quality perceptions. It is not easy to define usability. Usability is affected by type of consumers and type of tasks. The concept of usability has been examined and understood in terms of ease of use. TAM (Technology Acceptance Model) proposes that ease of use and usefulness predict attitude toward that technology and usage of that technology (Adams et al. 1992; Chau 1996; Davis 1989). Usability has been well explained in MIS researches. Usable system must be compatible with users' cognitive skills in communication, understanding, memory, and problem solving (Goodwin 1987; Benbunan-Fich 2001). Usability could be measured as following five attributes: learnability, efficiency, memorability, low errors, and subjective satisfaction (Nielson 1996). Loiacono et al. (2002) consider two distinct aspects of ease of use when it is applied to Web: ease of understanding and ease of navigation. On the commercial Web site, most users are consumers and their main purpose of visiting Web site is to purchase products/services. Therefore, usability on the Internet shopping site should be understood in terms of not only user-application but also transaction system. Internet shopping site should make all type of consumers easy to work their tasks, easy to understand and read the information, and easy to order products/services. Thus, we consider easy to use, easy to understand, and easy to transact as three aspect of commercial Web site's usability.

System features have been considered as the antecedents of system usability. Many system features such as menus, icons, and touch screen are specifically intended to enhance usability. Specifically, in the TAM framework, ease of use and usefulness have been investigated as variables influenced by external variables such as objective design characteristics of a system. Given that easy to transact is relevant in usability dimension, fulfillment policy of the Web site might improve consumers' transaction process. That is, well-constructed fulfillment policy such as convenient order procedure, fast delivery, and good customer support will make transaction process easy and simple.

### **Reliability**

Under SERVQUAL, the reliability dimension has been defined as an ability to perform the promised service dependably and accurately (Parasuraman et al. 1988). It means that firm performs the service right and keeps the promises such as billing accuracy, keeping correct records, and performing the service at the designated time. However, the reliability on the Internet more focuses on technical aspect. Reliability in e-SERVQUAL is considered as technical functioning of the site particularly the extent to which it is available and functioning properly (Zeithaml et al. 2002). We accept both SERVQUAL and e-SERVQUAL attributes of reliability (i.e., fulfilling the promise, functioning properly, dependable) and apply them to explaining reliability dimension in our model. Thus, we define the reliability as the extent to which consumers think that the Web site is dependable, functions properly, and fulfills the promise.

Interface design is associated with the functionality of the site and fulfillment policy of the Web site will influence the extent to which the Web site is performing promised service and dependable. That is, how the Web site is designed and how the fulfillment policy is served might affect the consumers' perception of reliability. Therefore, applying TAM framework to explain the relationship between some features of Web and reliability dimension, we see that interface and fulfillment policy could be external variables affecting perception of reliability dimension.

### **Content Quality**

After searching, consumers evaluate whether the information is good and useful. Content quality is identified based on the consumers' evaluation. For example, content quality is identified as the extent to which users think that the information is useful, good, current and accurate (Rieh 2002). Loiacono et al. (2002) describe the content quality as the concern that information provided is accurate, updated, and appropriate. Some researchers explore that authority is important content quality criterion (Rieh 2002). Authority is the extent to which consumers think they can trust the information on the Web site. Based on extant research about content quality, we define content quality as the extent to which consumers think that the information is useful, good, current, accurate, and trustworthy.

Consumers evaluate content quality based on whether the information addresses key needs. If the Web site does not provide the information needed, then the consumer finds the information inadequate. Information design is also important factor affecting consumers' evaluation of content quality. Consumers may or may not use the information depending on how the information is presented to consumers. Therefore, applying TAM framework to explain the relationship between some features of Web and content quality dimension, we see that information access and interface could be external variables affecting perception of content quality dimension.

### **Entertainment**

Entertainment has been studied in the mass communication field. Mendelsohn (1966), who propose mass entertainment theory, argues that average people need the relaxation and harmless escapism that television entertainment offers. According to his theory, television and other mass media perform a vital social function in terms of relaxing and entertaining other people. Given that the Internet is a new media affecting our society, perception of entertainment on the Internet is one of the factors affecting the Web site quality. Entertainment on the Internet is defined the extent to which consumers think the Web site provides hedonic pleasures such as fun, excitement, and playfulness. Chen and Wells (1999) find that the entertainment factor is best defined by six adjectives: fun, exciting, cool, imaginative, entertaining, and flashy. Similar to on ground store, a pleasing atmosphere and image encourage people continue browsing and revisit the Web site through visual appealing and emotional appealing (Loiacono et al. 2002). Huizingh (2000) indicate that the Web as a communication medium is similar to television, with animation, and even full motion video and audio. Like TV-commercials, Web sites provide infotainment. In sum, online entertainment is influenced by pleasing Web site interface and information access. Therefore, applying TAM framework to explain the relationship between some features of Web and entertainment dimension, we see that interface and information access could be external variables affecting perception of entertainment dimension.

### **Privacy and Security**

Privacy is a key consumer concern. Online merchants gather consumers' information in various ways such as registration and cookie files. According to Hoffman et al. (1999), almost 95% of Web users have declined to provide personal information to Web sites at on time or another when asked. In brief, e-consumers are lacking in trust. Phelps et al. (2001) argue that privacy concerns are negatively related to purchase behavior and purchase decision. Thus, a number of Web sites have developed and displayed consumer privacy policies, and a number of companies have also emerged to verify, audit, and certify the privacy policies of various Web sites (Ranganathan and Ganapathy 2002).

Security of monetary transaction, which is a key customer concern, influences Web site quality. Fifty percent of the transactions rated as unsatisfactory include concerns about security of transactions (Elliot and Fowell 2000). Consumers fear the process of typing over credit card information to e-tailers (Hoffman et al. 1999). Bhatnagar et al. (2000) explain that the risk relevant to shopping on the Internet arises since consumers are concerned about the

security of transmitting credit card information over the Internet. A number of online merchants offer alternative payment methods such as telephone transaction or e-checks to overcome consumers' fears. New technological advancements for Internet security, like digital signatures and certificate, reduce consumers' perception of risk related to the transaction in online shopping.

Privacy statements and security policy are represented and explained in fulfillment policy. Consumers perceive the privacy and security depending on the extent to which fulfillment service is provided on the Web. For example, consumers check the order procedure or use customer support service to assure whether the site supports secure transaction process.

### **Merchant Brand Image**

A positive merchant brand image is important factor to achieve success and sustain business in a competitive market. Brand image can be defined as perceptions about a brand as reflected by the brand associations held in consumer memory (Keller 1998). For online consumers, positive merchant brand image affects their overall perception about the Web site. Supphellen and Nysveen (2001) find that brand loyalty positively affects both attitudes towards the site and intentions to revisit the site. Online merchant brand reputation is positively associated with consumers' trust in an Internet shopping site (Quelch and Klein 1996; Jarvenpaa and Saarinen 1999). Therefore, online merchant brand image will affect consumers' judgment of Web site quality.

### **Consumer Patronage Behavior as Consequence of Web site Quality**

Empirical researchers find a positive relationship between perceived SERVQUAL and consumers purchase intentions in traditional stores (Parasuraman et al. 1988; Zeithaml et al. 1996). According to TAM, the ultimate outcome of perceived usefulness and ease of use is behavioral intentions. That is, users form intentions toward computer systems based largely on a perceptions about how these systems will improve their performance. Consumer patronage behavior includes: purchase, repeat purchase, and loyalty. Several researchers seek to explore the relationship between Web site quality and various patronage behaviors (Lynch et al. 2001; Chen and Wells 1999; Yoo and Donthu 2001; Loiacono et al. 2002; Ranganathan and Ganapathy 2002). Lynch et al. (2001) investigate the impact of Web site quality on purchase intention and loyalty. Based on the above discussion, we expect that perceived Web site quality will positively affect consumers' purchase, repeat purchase, and loyalty.

Again, our complete model is presented in Figure 1. Here we propose answers to three questions 1) What Web site features influence perceived Web site quality?, 2) What are the dimensions of Web site quality? and 3) What is the consequence of this quality judgment?. Web features such as interface, information access, and fulfillment policy play important role in forming perceptions of quality. Seven dimensions are proposed to understand in Web site quality: interactivity, usability, reliability, content quality, entertainment, privacy and security, and merchant brand image. This quality judgment affects subsequent patronage behaviors.

## **DISCUSSION**

In this paper, we discuss Web site quality. We identify key dimensions that consumers use to evaluate Web sites. Antecedents and consequence of Web site quality are described. We use SERVQUAL and TAM as theoretical foundations. We propose that certain features (e.g., interface design, information access, and fulfillment policy) of the Web site itself influence consumers' perceptions of Web site quality. We introduce seven major dimensions associated with Web site quality: interactivity, usability, reliability, content quality, entertainment, privacy and security, and brand image. Consumer patronage behavior is discussed as outcome of this quality judgment. To evaluate Web sites, many companies depend on objective measures such as number of members, unique visitors, average spending time per visitor, and sales revenue. However, Web site success is also identified by consumers' perceptions. Our model suggests several avenues for evaluating Web sites. For instance, designing a site that is

simple and easy to understand and developing a credible fulfillment system can enhance perceived usability. To develop our model, we employ two popular theories in marketing and MIS. This conceptual model might be useful for understanding effectiveness of this new technology, both in terms of marketing and in terms of system design.

There are several limitations associated with this paper. First, no empirical tests are conducted. Second, we only consider Web site quality in a B2C situation. Our conceptual model might not be appropriate to explain B2B transactions. Third, Web site quality might be perceived differently depending on industry or product type or consumers' shopping motivations. For the online merchant, reliability and security might be more important than usability or entertainment. In contrast, usability or entertainment might be important factors for the hybrid merchant. Consumers with hedonic shopping motives might place more value on entertainment than consumers with utilitarian motives. This paper is exploratory and developed based upon the extant literature. The value of e-commerce transactions is growing quickly, and more consumers are willing to try Internet shopping. Our knowledge about service quality on the Internet is still in the development stage. This paper may serve as a starting point to expand our knowledge about e-shopping and related phenomena.

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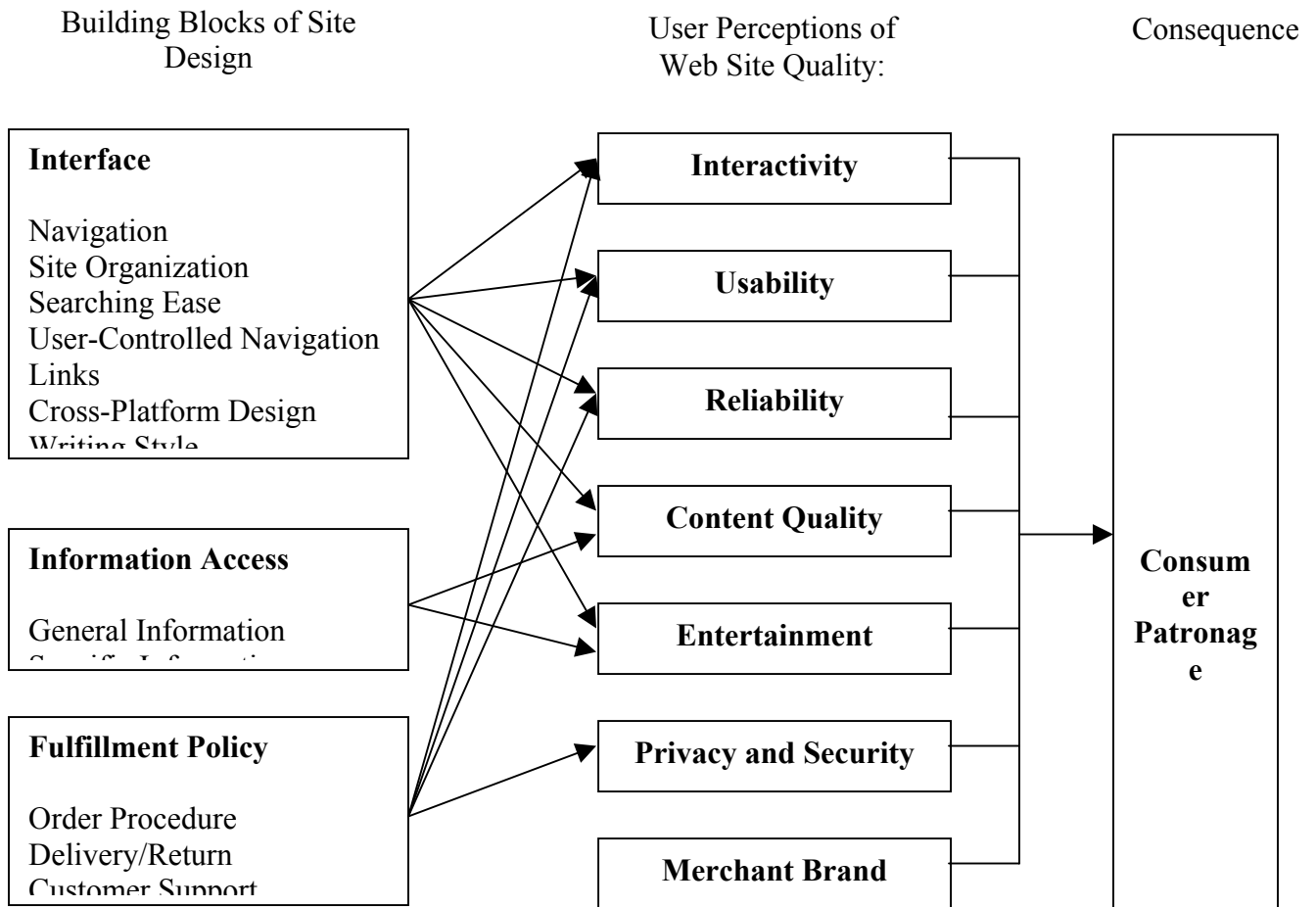
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**Figure 1. Conceptual Model for Antecedents and Consequence of Perceived Web Site**

**Quality**



**HORIZONTAL VS. VERTICAL ONLINE MARKETPLACES:**

## RESEARCH ISSUES AND ANALYSIS

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### *ABSTRACT*

This paper reviews and analyzes horizontal and vertical online marketplaces and B2B e-exchanges and their origin and changing roles in the new economy. In B2B markets, horizontal and vertical online marketplaces and e-exchanges have become one of the fastest growing areas. Virtually every aspect of the business world is now part of the Internet-related industries. Online marketplaces that adopted the right business fundamentals and organizational systems are among the fastest growing e-exchanges in the world. In B2B markets, e-exchanges connect public and private industry buyers and sellers over the Internet and play the role of matchmakers by sharing information and procurement needs. Most of the online marketplaces and e-exchanges provide services in the areas of procurement, auctions, market knowledge, specialized distribution, catalogs, product design, and supply chain management. Although still in its infancy, the area of e-exchanges has not been widely debated and analyzed in the academic world. Therefore, the purpose of this paper is two-folds: (a) to discuss and evaluate changing perspectives in the area of horizontal and vertical online marketplaces and e-exchanges, and (b) to provide relevant research issues which can help one understand these entities. The paper also provides ten propositions that are based on e-commerce models, B2B industry-specific needs and their organizational systems. The importance of the work lies in its timeliness and relevance to the ongoing debate of online marketplaces and e-exchanges in marketing.

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# A CONCEPTUAL MODEL OF WEB AD MESSAGE DESIGN

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## ABSTRACT

*This study submits a perceptual comparison map (PCM) based on data obtained from a survey of shampoo products using means-end chains (MECs) and content analysis through the laddering technique. The PCM can clearly illustrate the perception gap between marketers and customers by examining the web advertisements offered by marketers and analyzing the interview responses of customers.*

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## INTRODUCTION

Marketing messages wield significant control over consumer consumption behavior. Among available mass media the World Wide Web is now considered one of the most important sources for promoting products and services. Advertisements on the web have become a powerful tool for reaching consumers. Thus, designing attractive and effective web ad contents has become critical for marketers to enhancing business competitiveness (Berthon et al., 1996).

According to marketing theory, there exists significant disparities between recognized and recalled concepts, as well as between consumer's expected and perceived attributes upon service or product consumption known as product knowledge gap (Singh and Rothschild, 1983; Parasuraman et al., 1985).

This study used the means-end chain (MEC) model and content analysis as a base to identify the gap between marketer cognition ad message and consumer perception of actual product attributes received upon consumption. Attribute-consequence-value (A-C-V) linkage framework in the MEC model was adopted to establish the ad message-consequence-value (Am-C-V) linkages of web advertisements to uncover "marketer cognition"- "customer perception" relationships. Through a laddering technique, A-C-V and Am-C-V linkages were applied to plot the "perceptual comparison map" (PCM), which clearly illustrated the gap in consumer product knowledge and marketer opinion of web advertising design. This article seeks to provide insights into the development of the new map and to propose a knowledge gap analysis for enhancing ad message effectiveness and satisfying consumer value demands.

## LITERATURE REVIEW

The MEC model links a product's attributes to the consequences achieved upon usage and to the personal values the consumer places on its use, which determine whether the consequences are desirable or undesirable. MEC analysis thus interprets the product-consumer relationship in terms of consumers' value satisfaction (Gengler et al., 1999; Lin, 2001).

Recently marketers have increasingly utilized the Internet as a medium for transmitting product messages to customers. Advertising messages can be classified by advertising appeal (Buchanan and Goldman, 1989; Zielske, 1982). Advertising appeal is an approach used to attract the attention of consumers and to influence their feelings toward the product. Aaker and Norris (1982) proposed a relatively simple dichotomy of generalized message types: informational/rational/cognitive versus image/emotional/feeling. Vaughn (1980) distinguished another dichotomy of message types as "thinking" and "feeling", which Johar and Sirgy (1991) further refined into "utilitarian" and "value-expressive". The most popular typology of advertising message is the 14-evaluation criteria classification presented by Resnik and Stern (1977) (Abernathy and Franke, 1996).

Useful product information in an advertising message can help consumers make the right purchasing decision, which in turn increases the consumer’s willingness to purchase additional products to further satisfy their core values (Durgee et al., 1996). Several related value typologies help marketers analyze and identify consumers’ core values, including VALS (value and lifestyle) (Mitchell, 1983), AIO (activities, interests and opinions) (Wells and Tigert, 1971), RVS (Rokeach value system) (Rokeach, 1968), LOV (list of value) (Kahle, 1986) and Laddering (Reynolds and Gutman, 1988). Laddering consists of a series of value-based questions designed to link consumer’s core value demands and value satisfactions.

**METHODOLOGY**

**Variables**

In MEC theory, attribute, consequence and value are three key variables. To identify the attributes of shampoo on the market for this study, the researchers applied content analysis on the information provided on the packages of 11 shampoo brands and then summarized the results of the analysis in a survey of 30 interview respondents. The survey obtained 15 product attributes and 26 consequences. Value variables adopted from Kahle’s LOV System have 9 items, because these 9 variables of LOV are considered a suitable value classification system for MEC analysis (Vriens and Hofstede, 2000).

In this study, web ad message is another important variable for the advertising-consumer relation analysis. Utilizing the 14 types of web ad messages by Resnik and Sterns’ classification (1977), the researcher analyzed the characteristics of shampoo in Taiwan categorized 14 types of web ad messages into 12 types. Table 1 exhibits all relevant variables, including 12 types of ad messages, 15 product attributes, 26 consequences, and 9 values.

**TABLE 1**  
**Summary Content Codes for Shampoo**

Advertising message	Am1	Price or value	Attribute	A1	Brand name		
	Am2	Quality and safety		A2	Price		
	Am3	Performance		A3	Smell sense		
	Am4	Components or contents		A4	Large volume		
	Am5	Availability		A5	Ad frequency		
	Am6	Special offers		A6	Ingredients		
	Am7	Taste		A7	Motivation		
	Am8	Nutrition		A8	Promotion		
	Am9	Packaging or shape		A9	Fame		
	Am10	Warranty or post-sale service		A10	Free sample		
	Am11	Independent/company research		A11	Foam		
	Am12	New ideas		A12	Bottle style		
Consequence	C1	Fragrance	C14	Concentrated	Value	V1	Sense of belonging
	C2	Smooth and silky hair	C15	Conditioned and moisturized hair		V2	Excitement
	C3	Deep clean	C16	Soft hair		V3	Warm relationships with others
	C4	Easy cleansing	C17	Not oily		V4	Self-fulfillment
	C5	Velvety hair	C18	Reasonable		V5	Being well respected
	C6	Economical	C19	Protected		V6	Fun and enjoyment in life
	C7	Prevents split ends	C20	Usefulness		V7	Security
	C8	Attracts opposite sex	C21	Convenience		V8	Self-respect
	C9	Prevents frizzles	C22	Individual style		V9	Sense of accomplishment
	C10	Manageable hair	C23	Beauty			
	C11	Stops itching	C24	Enviousness			
	C12	Invigorating	C25	Specialty			
	C13	Easy styling hair	C26	Fashion			

**Data Collection**

Based on the 15 product attributes, 12 ad messages, 26 consequences, and 9 values, additional data were

gathered by interviewing consumers and examining web ads through content analysis for a MEC analysis. Data collection included two parts: interviewing consumers on a one-on-one in-depth basis and collecting ads of imported shampoo brands from Taiwan web sites. In the first part of data collection, consumer interview was conducted twice. In the first-round interviews, 100 valid samples of data were collected by asking consumers to state the attributes, consequences, and values that are most important for them in differentiating among different types or brands of a given product. The A-C-V linkages were mapped through a laddering technique in order to understand the connections between consumers' attribute preference and value satisfaction. In the second-round interviews, 90 valid samples were obtained by asking respondents to explain which ad messages, consequences, and values were most important for them in making purchase decisions. The Am-C-V linkage information derived from consumers was used to interpret the relationships between consumers' product perception from web ad message and value satisfaction.

In gathering advertisements of imported shampoo brands from Taiwan web sites, same brand products with different functions were considered valid individual web page samples. Using content analysis, a total of 54 online advertisements involving 25 imported shampoo brands were gathered.

### Concepts

In this study, advertising message (Am), attribute (A), consequence (C), and value (V) are the main variables. Data are collected from interviewing respondents and analyzing information contained in online ads. Information offered on the web ads can be seen to represent marketer cognition because marketers use their understanding of a given product to design web ads. Results from the in-depth interviews, on the other hand, can be applied to represent customer perception for a particular product. The perceptive gap analysis model determines whether a perceptive gap exists between customer perception and marketer cognition by analyzing the A-V and Am-V linkages. In the perceptive gap analysis model, the definition of each gap is described as follows:

- Gap1. A differentiation exists between actual customer value demands and customer value demands that web ad messages offer to satisfy.
- Gap2. A differentiation exists between product attributes customers prefer and product attributes emphasized in the online advertisement.
- Gap3. A differentiation exists between the product attributes emphasized on web sites that customer perceive and actual web ad messages offered by marketers.
- Gap4. A differentiation exists between product attributes customers prefer and ad messages that customers actually perceive.
- Gap5. A differentiation exists between ad messages that customers feel can satisfy their value demands and actual web ad messages offered by marketers.

### Results

The analysis results in this study revealed the A-C-V and Am-C-V linkages involving consumer cognition of shampoo and online ad messages. Data of each linkage through the laddering technique were coded and summarized into a summary implication matrix. Utilizing the summary implication matrix, the perceptual comparison map (PCM) of A-V and Am-V linkages was derived as shown in Figure 1.

-----  
 FIGURE 1 ABOUT HERE  
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The results from analysis of interview responses and web ad contents were included in the A-C, Am-C and C-V linkage count because product attributes (ad messages) are considered linked to consumer values through the

connections of consequences. Thus, A/Am and V linkages were adopted when the product attributes (ad message) were connected with particular consequences as well as specific consumer's value satisfactions. The frequency of A-V and Am-V linkages were formulated as follows:

$$\text{Count}(A_i-V_{\lambda k}) = \sum_{j=1}^{26} [\text{Count}(A_i-C_{\lambda j}) + \text{Count}(C_{\lambda j}-V_{\lambda k})]$$

if  $\text{Count}(A_i-C_{\lambda j}) \geq 1$  and  $\text{Count}(C_{\lambda j}-V_{\lambda k}) \geq 1$ ------(A)

$$\text{Count}(Am_{\lambda}-V_{\lambda k}) = \sum_{j=1}^{26} [\text{Count}(Am_{\lambda}-C_{\lambda j}) + \text{Count}(C_{\lambda j}-V_{\lambda k})]$$

if  $\text{Count}(Am_{\lambda}-C_{\lambda j}) \geq 1$  and  $\text{Count}(C_{\lambda j}-V_{\lambda k}) \geq 1$ ------(B)

When

“ $\lambda = 1$ ” represents the data from web ads; “ $\lambda = 2$ ” represents the data from respondents.

$i = 1, \dots, n_1$ ;  $n_1$  represents attribute variable frequency.

$j = 1, \dots, n_2$ ;  $n_2$  represents consequence variable frequency.

$k = 1, \dots, n_3$ ;  $n_3$  represents value variable frequency.

$\lambda = 1, \dots, n_4$ ;  $n_4$  represents ad message variable frequency.

*Notes: “Count” is a function of the occurrences of attribute/ad message-consequence ( $A_i/Am_{\lambda}-C_{\lambda j}$ ), consequence-value ( $C_{\lambda j}-V_{\lambda k}$ ), or attribute/ad message-value links.*

In the PCM (Figure 1) each linkage map of four quadrants was derived from the calculated results of formula (A) and (B). Within these four quadrants, the right quadrant of the horizontal axis represents product attribute variables; the left quadrant indicates ad message variables. The vertical axis maps values on web ads (Vw) versus values of respondents (Vr). Figures in each quadrant represent the code associated with each A/Am/C/V variable (Table 1). The spheres in each linkage map show A-V and Am-V relationships. The relative sizes of the spheres in each Quadrant of the PCM are directly proportional to the strength of the A-V and Am-V linkage connections.

In the PCM, A-V linkage and Am-V circumstances have significant differences. The researchers made a comparison of A-V linkages from consumer interviews and web ad analysis. From interview responses, for example, most product attributes (A) linked with consumer values (V); the only difference was the frequency of linkages (see Quadrant IV of the PCM). Conversely, few product attributes (A) on web advertisements connected with values (V) in Quadrant I of the PCM. The researchers further compared Am-V linkages from responses with linkages from web ad contents. Am-V linkage patterns proved similar to those of A-V linkages; Quadrant II and III illustrate the comparison results. Clearly, Am-V linkage frequencies from interviews are higher than that from examining web ad contents. Four Quadrant Maps of the PCM show significant disparity between marketers' web ad designs and consumers' perceptions of product attributes.

### Discussion

Singh and Rothschild (1983) indicated either a questionnaire survey or an in-depth interview is a method to recall consumer's cognized concepts. However, even though consumers have complete product concepts, only partial product concepts can be recalled through interviews and surveys. Thus, devising an effective model for gathering consumer product concepts for mapping consumer group preference and demand is important to marketers. Marketers should depend on consumption information to develop marketing tactics and strategies.

That marketers' cognized product concepts fit consumers' recalled product concepts is crucial for businesses to enhance their competitive advantages. In the PCM, Quadrant I shows the A-V linkages from web ad content analyses and Quadrant IV exhibits the A-V linkages from consumer interviews. From ad analyses the A-V linkages are located on A6, A7, A13, A14 and A15 (see the PCM, Quadrant I). A13, or “special formula”, has the highest linkage frequency with value variables, meaning marketers thought “special formula” (A13), “suitable user” (A14) and “suitable hair condition” (A15) should be emphasized in ad messages to meet satisfy consumer values. The A-V linkage map in Quadrant I represents marketers' perception of the product knowledge exhibited on their online ads. From consumer interviews, the first few product attributes linked with value variables more frequently than the other attributes. Consequently, from the consumer point of view, “brand name” (A1), “price” (A2), “ad frequency” (A5) and “motivation” (A7) are the attributes that achieved consumer value desires (see the PCM, Quadrant IV).

Therefore, product attributes that marketers emphasized are not consistent with the attributes that consumers preferred.

Quadrant II and III in the PCM represent the Am-V linkages from examining web ad contents and interviewing respondents, respectively. As exhibited in Quadrant II, web ads focus on “performance” (Am3) and “components and contents” (Am4) to satisfy consumers’ value demands as exhibited in Quadrant II. Quadrant II and III provide the linkage relations of ad messages and values, which show that ad messages marketers emphasized on web ad contents are different from what consumers preferred.

Marketers must rely on ad messages to inform consumers about their product characteristics. Effective ad message emphasize product attributes that consumers prefer in order to attract targeted consumers and influence their buying behaviors. Thus, ad message classifications comprise almost all product attributes. Shampoo “price” (A2), for example, can be emphasized through “price and value” (Am1) ad message. “Smell sense” (A3) can be transmitted by “taste” (Am7) ad message. However, consumer’s cognition of product attributes may achieve particular value satisfactions that ad messages cannot provide. In other words, A-V linkages derived from interviews differ significantly from those from ad messages.

### **Conclusion**

Consumers’ value satisfactions have great impacts on consumption motivation, product need recognition, and evaluative criteria identification; that is, consumer values provide enduring motivations that people seek in their lives (Blackwell et al., 2001). To effectively satisfy consumer values, marketers should focus on individual or group value satisfactions. Thus, marketers must correctly identify which product attributes best meet the value demands of a targeted consumer market and emphasize these attributes in web ad messages in order to develop effective promotion strategies.

This study applied the new perceptive gap analysis using A-V and Am-V linkages to reveal the differences between marketer cognition and customer perception. The researchers demonstrated how the gap analysis could be used to identify decisive attributes for a wide variety of products, providing marketers invaluable insights for formulating effective web advertising and product strategies to achieve their marketing objectives.

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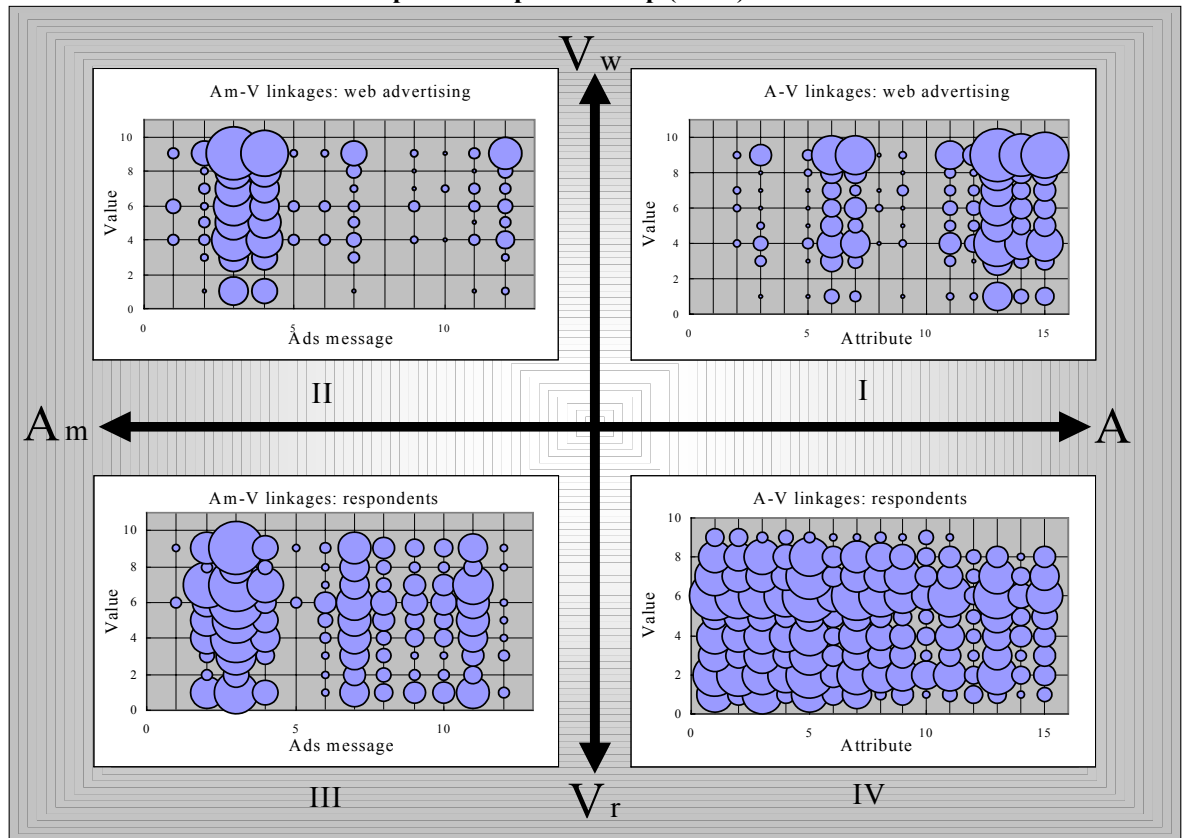
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FIGURE 1

The Perceptual Comparison Map (PCM)



# INTERNATIONAL SALES EFFECTS OF CONNECTEDNESS TO BUYER'S NETWORKS

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## **ABSTRACT**

*This study reports the findings of a survey of U.S. firms that have engaged in bidding on African projects and shows that network connections have a positive effect on sales effectiveness. Network connections with overseas home-country officials, local key government officials and local firms significantly explain 31 percent of the variance in sales effectiveness. Conceptual and managerial implications are discussed.*

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## **INTRODUCTION**

Despite increasing emphasis on the network approach to international selling (Anderson, 1996; Blackenburg 1995; Sharma 1988; Welch et al. 1999), little is known, empirically, about the structure of a seller's overseas networks and their relationship to sales effectiveness (Anderson et al. 1994; Ellis 2000). An international sales network can be defined as a set of two or more connected business relationships in which an exchange relationship involves individuals, public and private sector organizations that are conceptualized as collective actors (Emerson 1981). This definition suggests that networks involve interactions, relationships and actors. Thus, an overseas sales network is likely to involve actors such as home-country trade officials, host country government officials and local firms.

To what extent do the overseas sales network connections of a seller have an effect on sales effectiveness? This question has not been examined in available studies. In this regard, Anderson et al. (1994) remark that analyzing and building business networks are two areas that greatly need practice research. The study reported in this paper examined the preceding question and fills the research gap from four perspectives. First, it extends understanding regarding the structure of effective international sales networks in the African context. Second, it corroborates the relationship between overseas sales networks and sales performance. Third, it provides guidelines international firms can utilize to build sales networks. Fourth, it provides needed empirical research focusing on international selling in the African context (Finkel 1984).

The next section of the paper presents the conceptual framework of the study and the hypotheses examined. In the following section, the research methodology is discussed and the results are reported. The final section presents the implications, conclusion, and suggestions for future research.

## **CONCEPTUAL FRAMEWORK AND HYPOTHESES**

The conceptual framework of the study is derived from the marketing systems theory (Arndt, 1979). The system theory posits that a channel of distribution can be considered as a behavioral system, an elaborate social system that involves many actors, which through interactions and relationships develop networks. From this perspective, Stern and Reve (1980) view a social system as comprising interacting sets of major economic and sociopolitical actors who influence individual and collective behavior and performance. Similarly, it can be argued

that selling goods and services in foreign markets involves socioeconomic bilateral and multilateral interactions and relationships between organizations and individuals, both in the domestic and the foreign market systems.

Three key features of a network are actors, interactions and relationships. An interaction can be described as a social exchange process between actors. As a result of interactions, relationships develop between and among connected actors in the network (Ford 1997). According to Cook and Emerson (1978), "two exchange relationships are connected to the extent that exchange in one relationship is contingent, positively and negatively, upon the exchange in other relationships." This viewpoint suggests that seller-buyer interactions will be contingent upon the other interactions and relationships in which the buyer and seller are involved. Consequently, the nature of the focal exchange between a seller and a buyer will be more fully understood if it is put within the context of the indirect and direct relationships to which it is connected. Anderson (1992), notes that "in the network approach, no sharp distinction is made between the individual actor, e.g. the seller, the environment, actors and exchange relationships are embedded in intricate networks of relationships and are highly dependent on their particular context." Consequently, in an international selling context, the outcome of sales efforts is likely to be fully explained by factors associated with the network connections involved in the sales effort. The network connections examined in this study are discussed next

### **Overseas Home-Country Network Connections**

Overseas home-country network connections (Hognets) involve a foreign *firm* and home-country overseas officials responsible for trade promotion (Robinson 1994). For example, the U.S. Department of Commerce's International Trade Administration (ITA), through its overseas networks of foreign commercial service officers, works with industry and country specialists to help firms sell in foreign markets. To this end, U.S. commercial officers in overseas posts collect and disseminate information about trade and investment opportunities that U.S. firms can utilize to make export decisions. Home-country officials in foreign markets facilitate interactions between sellers and key actors such as local government officials and purchasers in overseas markets (Robinson, 1994). Other services provided include assistance with appointments with key buyers and government officials. Firms that use these services find them useful (Vanderleest 1996). The ITA also engages in commercial advocacy on behalf of American firms in order to enhance their success in winning major contracts in foreign markets (Robinson 1994). The outcomes of these interactions include the development of local government network connections (Lognets). Through such sales interactions, connectedness and relationships between sellers and actors in an overseas buyer's system are enhanced. On the basis of the preceding discussion, we propose that:

- H1:** Networking with overseas home-country officials will be positively associated with a seller's local government network connections in a foreign market
- H2:** Networking with overseas home-country officials will be positively associated with a sellers local business network connections in a foreign market.

### **Local Government Network Connections**

Local government network connections involve foreign sellers and key host country government officials who are likely to influence overseas procurement decisions. Networking with key government officials involves interpersonal contact that can have cognitive and emotional effects. Through these connections sellers can gain insights about sales opportunities, increase their knowledge about the market and prospective buyers. Similarly, the network connections provide opportunities for sellers to indirectly develop relationships with the buyers. Regarding project marketing, for example, Finkel (1984) advises that a strategy to win business in developing countries should include a timely follow-through effort which involves visit to the country of interest to talk to prospects and engage in bargaining in order to influence their purchase decision. Also, key government official, through their local networks with government buyers, are likely to directly and indirectly influence procurement decisions. It is often assumed that sellers with good contacts can affect the project selection process and enjoy an advantage in preparing attractive bids. Therefore, we examine the following hypothesis:

**H3:** Networking with local government officials will have a positive effect on sales effectiveness.

### **Local Business Network Connections**

Local business network connections involve interactions and relationships between foreign and local firms in an overseas market. A local business network may be formed because of local requirements (Schuster and Keith, 1993). Local representation, in project contracting situations could be used to acquire political assets (Boddewyn, 1988) that are needed to win public contracts (Cova and Kassis, 1991). A local business network also offers a mechanism for the exchange of information regarding needs, capabilities, resources and sales strategies (Oliver, 1990). Because selling in foreign countries involves interactions and negotiations that are influenced by foreign cultural differences, it is often assumed that sellers would improve their effectiveness in foreign markets by using host country representation to reduce blunders. Also, good in-country knowledge and access to prospective buyers can easily be achieved through networking with a local representation or firms (Ashuri, 1993). This discussion leads to the following proposition

**H4:** Networking with local businesses will have a positive effect on sales effectiveness.

## **METHODOLOGY**

### **Sample and Data Collection**

The data for this study were collected by a mail survey of American firms and their affiliates doing business in African countries. The directory of American firms operating in foreign countries as well as contract award notices published in *Development business*. (UN. publication) were used to develop a sampling frame that was utilized to select a systematic random sample for the study.

A questionnaire developed for the study was mailed to 250 V.P of International Marketing of the sample firms but they were instructed to forward it to appropriate managers in charge of selling in African markets and capable of answering the questions. The questionnaire included a cover letter, which explained the nature of the study; a follow-up letter was mailed to the target sample three weeks following the first mailing. The mailing resulted in 52 completed questionnaires that were used for this study. The respondents held top management positions as Vice President for Africa and the Middle-East region, Director and Area Managers, Director of International Sales. In view of the positions of the respondents, it was felt that they were knowledgeable to participate in the survey.

Concerning the issue of non-response bias the t-test was performed to compare early and late respondents on responses to a question pertaining to their perception about selling in African markets. No significant difference was found between early and late responses. Consequently non-response bias was not considered to be a problem.

### **Measurement**

Multi-item scales were used to operationalize the independent variables. The operational definitions of the network connections were based on a review of the literature and preliminary interviews regarding international sales network interactions and relational activities conducted by multinational firms in their attempt to win contracts to sell goods and services to African government agencies.

*Overseas Home-Country Network Connection:* Overseas home country network connections were operationally defined as interactions and relations between foreign firms and home country officials in a targeted overseas market. Respondents were asked to indicate how frequently their firms interact with home-country officials in targeted overseas markets during the process of bidding on project contracts. Responses ranged from "always or almost always" (5), to "never or almost never" (1). Four items were used to measure this construct. Respondents were asked to describe the frequency with which their firm 1) "used home-country embassy officials to create contacts"; 2) "included home-country embassy officials in meetings with buyers"; 3) "worked closely with home-country commercial officers in the host country" and 4) "used home government sales support when required". The

responses to these items were summed to form a scale used for data analysis. This approach was applied to operationalize all the independent variables examined.

*Local Government Network Connections.* Local government network connections refer to how frequently foreign firms interact and develop good relationships with key local government officials in overseas markets during the process of bidding on project contracts. It was measured by a single item: "my firm develops good relationships with key government officials in the buying country".

*Local Business Network Connections.* A three-item scale based on relationships and interactions between foreign and local firms measured local business network connections. Respondents were asked to indicate how frequently their firm 1) "used local representation in the overseas market"; 2) "bid on projects in partnership with a local firm in the overseas market"; and 3) "developed close contacts with the consultants of prospects." The responses were summed to form a scale for data analysis.

*Sales Effectiveness.* Sales effectiveness is operationally defined as winning a bid. Respondents were asked to indicate if they won a contract on each of the three most recent projects they bid on. The ratio of contracts won to bids was used as indicator of sales effectiveness.

### Data Analysis

Before testing the hypotheses, we validated the network constructs. An exploratory factor analysis with varimax rotation was applied. It revealed two constructs we identified as "social networks" and "business networks", shown in Table 1. Social and business networks explained 48% and 22% of the variance respectively. The factor loadings for individual items were above 0.50 and the Cronbach's alpha was .88 for social networks and .73 for business networks.

The testing of the hypotheses proposed was carried out in two stages. In the first stage, H1, H2, H3, and H4 were evaluated using multiple regression analysis. In the second stage, the association between sales effectiveness and social and business networks was also evaluated using regression analysis.

## FINDINGS

The first hypothesis that networking with overseas home-country officials is positively associated with seller's local government network connections (H1) is supported ( $t=4.5$ ;  $p<0001$ ). The second hypothesis (H2), which proposes a positive relationship between networking with overseas home-country officials and a seller's local business network connection is also supported ( $t=3.4$ ;  $p<001$ ). The third hypothesis (H3) that local government network connections have a positive effect on sales effectiveness is also supported ( $t=3.2$ ;  $p<001$ ). However, the fourth hypothesis (H4), which proposes that local business network connections have a positive effect on sales effectiveness was only moderately supported ( $t=1.9$ ;  $P<0.10$ ). The findings are reported in Table 2. They show that network connections explain approximately 31 percent of the variance in sales effectiveness. The regression equation is significant at the .001 level ( $F\text{-value}=8.67$ ;  $p<0001$ ). The result of the second stage analysis indicated an overall positive relationship between sales effectiveness and social and business network connections ( $F\text{-value}=8.00$ ;  $p<001$ ). Approximately 21 percent of variability in sales effectiveness was explained by the two factors.

**TABLE 1**  
**RESULTS OF VARIMAX ROTATED FACTOR ANALYSIS**

Item	Factor 1 (Business Network)	Factor2 (Social Network)
Bid in partnership with local firm	.87	
Use home government sales support	.78	
Develop close contact with buyer's consultant	.72	
Use local representation	.51	

Work closely with home government officials to solve problems		.93
Include home government officials in meetings with buyers		.91
Use home government officials to create contact		.80
Develop relationships with key government officials in the buying country		.58
Eigen Value	2.0	4.3
% of Variance	22	48
Cronbach Alpha	.73	.88

**TABLE 2**  
**REGRESSIONS OF NETWORK CONNECTIONS ON SALES EFFECTIVENESS**

Dependent Variable Sales Effectiveness Explanatory Variables	Estimated Beta	T Value	Significance Level
Overseas Home-country networks	-.03	-.18	.85
Local Business Networks	.25	1.90	.06*
Local Government Networks	.45	3.17	.002* *
R - Square = .31 Adjusted R - Square = .31 F - Value = 8.67 Significance Level = .001			
* * Significant at the $p < .05$			
*Significant at $p < .10$			

### CONCLUSION

Recent research in international marketing has stressed the need for the network approach in understanding the outcome of seller-buyer exchanges (Ford 1997, and Welch et al 1999). One dimension that has not been the focus of empirical investigation is overseas network connections involving home-country and local actors. This study builds on the marketing systems theory by examining the effect on sales effectiveness of three overseas network connections, namely, overseas home-country network connections, local government network connections and local business connections.

The findings support the hypotheses that network connections have a positive effect on sales effectiveness. First, a foreign firm's connectedness to home-country overseas actors is positively associated with network connections involving key government officials and local businesses. The two local network connections, in turn, have a positive effect on sales effectiveness in the African context of project contracting examined.

Furthermore, the results of a factor analysis reveal that overseas home-country network connections, the local government network connections and the local business network connections can be grouped into two types of international sales networks, namely, social networks and business networks. The two constructs have a significant positive effect on sales effectiveness.

## Managerial Implications

The findings of this study suggest four managerial implications. First, they corroborate the importance attached to third party connections in seller-buyer transactions and their impact on sales outcomes. They confirm the assumption that international selling takes place in an overseas network context that involves several actors. Consequently, international firms are likely to increase their international sales effectiveness by developing sales network connections with both host country officials in overseas markets as well as with local government officials and businesses.

Second, regarding the positive effect of a foreign firm's overseas home-country networks, the findings suggest that international trade advocacy and export assistance provided at overseas commercial posts is crucial in helping firms win major contracts. Thus, the services that the U.S. Commerce Department provides in overseas posts are helpful and should be used by U.S. firms that seek to increase their overseas sales effectiveness.

The third implication is that effective sales efforts in the African market context examined involve interactions and relationship that involve social and business network considerations. These networks include connectedness to home-country actors, key government officials and local firms. Therefore, foreign firms that do not generally emphasize international setting strategies that include social and business network connections must adapt their sales practices if they seek to be effective in selling in African markets.

The fourth implication pertains to education and training. The findings suggest that the marketing systems perspective provides a framework that is likely to fully explain effectiveness in international sales channels (Anderson 1992). Therefore, the focus of international marketing education, sales training and international marketing strategy should be extended beyond dyadic considerations.

## Limitations and Future Research Direction

Although our findings support and extend the limited body of knowledge available in the area of international selling from a network perspective (Johnston et al, 1999; Welch et al 1999), they must be considered in the light of some limitations. For example, the study is limited to bidding on projects and selling to government agencies in the African context. Therefore, the generalization of the findings must be done with this limitation in mind. Overall, more research using bigger samples and focusing on different industries and markets are needed to increase knowledge regarding the effect of network connections on international sales effectiveness.

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# THE IMPACT OF AN OIL SHOCK ON THE DIFFUSION OF TECHNOLOGICAL INNOVATIONS

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## ABSTRACT

*The purpose of the present study is to examine the impact of the 1973 oil shock on diffusion of innovations using penetration data related to seven home appliances in the U.S. Results indicate that the rates of adoption were not disrupted by that major oil shock. Further research is needed to validate this finding using a wider range of innovations for various time frames, and different geographical settings.*

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## INTRODUCTION

The theory of adoption and diffusion of new products has been studied in depth in various disciplines and it has become an increasingly prosperous branch in marketing since Bass (1969) operationalized the diffusion concepts in a marketing model. The diffusion process is like the spread of an epidemic or the gradual coverage of a defined market by a new product, a new service, or a new idea. Specifically, product diffusion is the process by which a product innovation is communicated and accepted through certain channels among the members of a social system over time (Rogers, 1983). As such, the diffusion process consists of four key elements: innovation, communication channels, time, and the social system.

An extensive body of research has examined the product diffusion process using various types of diffusion models. In general, diffusion models enable marketing researchers to “depict the successive increases in the number of adopters of a product and predict the continued development of a diffusion process already in progress” (Mahajan, Muller, and Bass, 1990). For example, Olshavsky (1980) used penetration data for 25 U.S. home appliances over the period from the first year in which data were available until late 1970s to fit a logistic diffusion model, and he found that the rate of adoption is rapidly increasing over time. Interestingly, though Olshavsky’s data set covers the years before and after the 1973 oil shock, no attention was given to show the possible distortion effect of consumer adoption by that distinctive worldwide oil crisis.

An “oil shock” is defined by Verleger (2000) as “an increase in oil prices large enough to cause a worldwide recession or a 2-3 percentage points drop in the forecasted growth of real GDP.” As a result of the 1973 oil shock, the sharp price increase in oil and merchandises might have significantly slowed down economic growth. In theory, it is possible that potential customers’ adoption decisions were somewhat disturbed by the overall economic downturn and might have been postponed. Indeed, the conventional wisdom of an increasingly rapid adoption rate was challenged by Bayus’ (1992) study that suggests diffusion rate is not systematically accelerating over time. Contrary to the conventional wisdom of an increasingly rapid diffusion process, it is likely that Bayus’ finding could have been attributed to the major economic turmoil (e.g., oil shocks in 1973 and 1979) in the past few decades.

Businesses in the United States and the rest of the world are currently challenged with recession and greater economic uncertainties. This has led to calls for information regarding the impact of economic turmoil on innovative products. Given the repetitive nature of macroeconomic behavior (e.g., business cycles), it appears fruitful to re-examine the likely consequence of a major oil shock on the innovation diffusion process. Thus, the purpose of this study is to test explicitly whether the 1973 oil shock has slowed down the rate of adoption of innovative products.

## METHODOLOGY AND DATA

Olshavsky’s (1980) study employed a logistic diffusion function to analyze the adoption rate for 25 U.S. home appliances. Using a method similar to the one employed in Olshavsky’s (1980) study, we fitted the penetration data to the Blackman (1974) modified logistic diffusion function. A modified logistic diffusion model has the

following growth function:

$$F(t) = \frac{\bar{F}}{1 + e^{-(a+bt)}} \quad (1)$$

where  $F(t)$  is the proportion of households adopting the innovation by time  $t$ ,  
 $\bar{F}$  is the ultimate penetration that the innovation can capture in the long run,  
 $a$  is a constant that positions the curve on the time scale,  
 $b$  is a growth rate coefficient, and

$t$  is measured in years from 1968, so that  $t = 1$  for 1969,  $t = 2$  for 1970, etc.

The rate of adoption is usually estimated by “the length of time required for a certain percentage of the members of a system to adopt an innovation” (Rogers and Shoemaker, 1971). For the Blackman model (1), parameter  $b$  is taken as a measure for the adoption rate. It can be shown, upon minor mathematical manipulations, that expression (1) takes on the following form related to the diffusion of a certain innovation  $j$ :

$$\ln\left(\frac{F_j(t)}{\bar{F}_j - F_j(t)}\right) = a_j + b_j t \quad (2)$$

where  $F_j(t)$  is the proportion of households adopting innovation  $j$  ( $j=1$  to  $7$ ) by time  $t$ ,  
 $\bar{F}_j$  is the ultimate penetration that innovation  $j$  can capture in the long run,  
 $a_j$  is a constant that positions the curve of innovation  $j$  on the time scale, and  
 $b_j$  is the growth rate coefficient of innovation  $j$ .

In order to examine the impact of the 1973 oil shock on the diffusion process, a time dummy variable  $D$  was added to the above regression model (Neter, Wasserman, and Kutner, 1990, p. 374):

$$\ln\left(\frac{F_j(t)}{\bar{F}_j - F_j(t)}\right) = a_j + b_{j1} t + b_{j2}(t-5)D + \varepsilon_j \quad (3)$$

where  $F_j(t)$  is the proportion of households adopting innovation  $j$  ( $j=1$  to  $7$ ) by time  $t$ ,

$\bar{F}_j$  is the ultimate penetration that innovation  $j$  can capture in the long run,

$a_j$  is a constant that positions the curve of innovation  $j$  on the time scale,

$b_{j1}$  is the growth rate coefficient of innovation  $j$ ,

$b_{j2}$  is a parameter representing the change in the growth rate coefficient of innovation  $j$  after 1973,

$D$  is a dummy variable which takes the value of zero for  $t \leq 5$  and the value of one for  $t > 5$ , and

$\varepsilon_j$  are independent error terms related to innovation  $j$ , that are identically normally distributed with zero mean and constant variance.

In Olshavsky's (1980) study, the ceiling or the ultimate penetration value was estimated as the maximum penetration achieved. In the present study,  $\bar{F}_j$  is chosen, similar to Olshavsky's (1980) research, to be given by

$\text{Max}_t \{F_j(t)\}$ . Regression model (3) was estimated using Ordinary Least Squares (OLS) for each of the seven studied home appliances. A statistically significant and negative parameter  $b_{j2}$  would indicate a recognizable distortion effect resulting from the 1973 oil shock. The following hypothesis is thus formulated and tested:

H1: The rates of adoption for U.S. home appliances were disrupted by the 1973 oil shock.

Annual penetration data are secured from various issues of *Merchandising Week* and *Merchandising* covering the period 1969-1977 for seven innovative home appliances: Air Conditioners, Color TVs, Dish Washers, Disposals, Dryers, Freezers, and Heaters. The maximum penetration,  $\bar{F}_j$ , is assumed to occur in 1977 when the latest data point is available to the authors.

## RESULTS

Estimated parameters and goodness-of-fit measures of the logistic diffusion model are reported in Table 1. The computed rates of adoption (parameter  $b_{j1}$ ) are found to be positive and significant at the 0.01 level for all innovative products. Interestingly, none of the estimated parameter  $b_{j2}$  is found to be significantly negative even at the 0.1 level. To the contrary, the estimated parameter  $b_{j2}$  is found to be significantly positive at the 0.05 level for Air Conditioners, Dish Washers, Dryers, and Freezers. In addition, the estimated parameter  $b_{j2}$  is positive and barely significant (p-value = 0.066) for Disposals. Collectively, these findings provide no support for hypothesis 1.

**TABLE 1. Parameter Estimates and Goodness-of-Fit Measures of the Blackman Logistic Diffusion Model**

Innovation	$b_{j1}$	$b_{j2}$	Adjusted-R <sup>2</sup>
Air Conditioners	0.34 (0.000) **	0.33 (0.011) **	0.98
Color TVs	0.43 (0.000) **	0.08 (0.273)	0.99
Dish Washers	0.32 (0.000) **	0.26 (0.001) **	0.99
Disposals	0.34 (0.000) **	0.14 (0.066) *	0.99
Dryers	0.38 (0.000) **	0.34 (0.001) **	0.99
Freezers	0.24 (0.001) **	0.79 (0.000) **	0.99
Heaters	0.19 (0.002) **	-0.11 (0.183)	0.92

Note: p-values are reported within parentheses.

\*\* indicates statistical significance at the 0.05 level or better.

\* indicates statistical significance at the 0.1 level or better.

## DISCUSSIONS

This study attempts to investigate the impact of an oil shock on the diffusion process. We focused attention on some representative infrequently purchased home appliance products. The influence of replacement and repeat purchases upon the results is thus negligible since the current paper deals exclusively with penetration (ownership level) data for different innovations.

Despite of the economic slowdown in the early 1970s, diffusion model using home appliance penetration data showed an overwhelmingly growth trend. It is noted that the impact of recession found in this research appears not to be in accordance with the notion of microeconomic theory. This may reflect the importance of the innovative home appliances to the modern lifestyle in an advanced economy system like the United States. It is also possible that many people saved their pop bottle money for months or even years in order to purchase a desired home appliance (e.g., a Dish Washer), thus the 1973 oil shock did not have much of an effect on the studied innovations. Moreover, Rogers (1983) suggested that the members of a social system could be categorized into five adopter segments: innovators (the first 2.5% of the population who purchase the innovative product), early adopters (next 13.5% of the target population), early majority (34%), late majority (34%), and laggards (the final 16% of the target

population), respectively. In 1973, the percentage of household who owned the following innovations was: 49% for Air Conditioners; 67% for Color TVs; 34% for Dish Washers; 35% for Disposals; 54% for Dryers; 38% for Freezers; and 28% for Heaters. It appears that consumers had generally accepted these innovations and developed a certain level of desire to own these products. According to the theory of product life cycle, once an innovative product has successfully passed the introduction phase, its diffusion process would typically continue until the late maturity stage or the sales decline stage. The undisturbed adoption rates across the seven studied products seem to reflect this notion.

At the center of the findings highlights the importance of identifying a surviving strategy in turbulent times. To that end, one marketing strategy for consumer electronic manufacturers to survive in recession is perhaps to maintain a balanced number of products in various product life cycles, particularly in the growth stage and the maturity stage since these products may self-support themselves and serve as “cash cows” that could nurture some developing innovative products.

Given that today’s consumer marketplace is becoming increasingly more diverse and complex than the 1970s, further research is needed to validate this finding using a wider range and perhaps “newer” innovations for various (and longer) time frames, and different geographical settings (e.g., in developing countries). Research attention should also be directed to the identification of a more comprehensive product, promotion, channel, and pricing strategy in the face of economic turbulence.

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# WHERE STREAMS OF RESEARCH RELATED TO ROLE VARIABLES, MARKET ORIENTATION AND VERTICAL EXCHANGE RELATIONSHIP INTERSECT: A RESEARCH PROPOSAL

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## **ABSTRACT**

*This paper proposes a study that would examine the moderating effects of vertical exchange relationship on the relationship between marketing orientation and the salesperson role variables of job satisfaction, organizational commitment, role ambiguity and role conflict.*

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## **INTRODUCTION**

This paper suggests examining the moderating effect of the vertical exchange relationship on the relationship between firm market orientation and selected salesperson role variables. This proposed study draws from three areas of research. One stream of research includes the role variables of role ambiguity, role conflict, job satisfaction and organizational commitment. A second stream of research is that of market orientation. The final stream of research is that of the vertical exchange relationship. The various sections of this paper a) examine the need for research exploring the relationship among these constructs; b) present the objective and a model of the proposed study; c) present variable definitions and scales to operationalize the variables; d) present general hypotheses and e) discusses the expected contributions of the study.

## **NEED FOR THIS RESEARCH**

There is a lack of research in the area of sales/sales management where these three streams of research - role variables, market orientation, vertical exchange relationship - intersect. Several studies have investigated the relationship between vertical exchange relationship and the role variables. Research indicates that the vertical exchange relationship reduces role ambiguity and role conflict (Tanner, Jr. and Castleberry 1990; Tanner, Jr., Dunn and Chonko 1993) and increases job satisfaction (Lagace 1990; Tanner, Jr. and Castleberry 1990) and organizational commitment (Castleberry and Tanner, Jr. 1988-89).

To date little research has investigated the relationship between market orientation and the role variables. Siguaw, Brown and Widing, II (1994) demonstrated that market orientation reduces role ambiguity and role conflict and increases job satisfaction and organizational commitment. Kohli and Jaworski (1990) posited relationships between market orientation and both job satisfaction and organizational commitment of employees. The same researchers provided evidence of a relationship between market orientation and organizational commitment (Jaworski and Kohli 1993). The results of these studies need to be expanded.

An area where there is a need for research, suggested by Castleberry and Tanner, Jr. (1986), is considering vertical exchange relationship as a moderator variable. As a moderator variable, vertical exchange relationship could help explain much of the unaccounted for variance in relationships between role variables and their antecedents and consequents. In the case of the variables of interest in this study, research needs to be done considering whether or not vertical exchange relationship influences the relationships between market orientation and the role variables.

## OBJECTIVE AND MODEL OF THE STUDY

The objective of this study is to empirically determine if the previously reported relationships between market orientation and the role variables mentioned above are moderated by vertical exchange relationship. The basic idea of the study, a framework for the study and four main hypotheses are presented in Figure 1. The basic idea of the study is to see if the relationships between market orientation (a desired set of behaviors or roles) and the role variables (outcomes of the various ways people select and carry out their roles) are influenced by the vertical exchange relationship (a role-making process). These four main hypotheses are suggested:

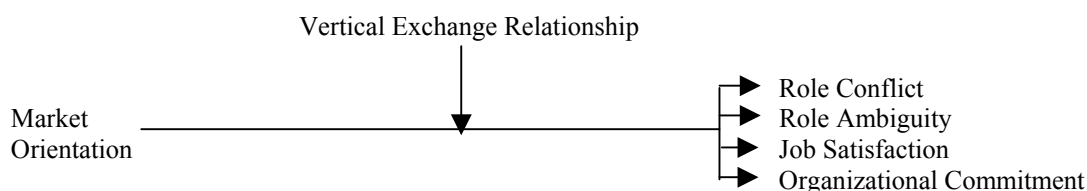
H<sub>1</sub>: Vertical exchange relationship moderates the relationship between market orientation and job satisfaction.

H<sub>2</sub>: Vertical exchange relationship moderates the relationship between market orientation and organizational commitment.

H<sub>3</sub>: Vertical exchange relationship moderates the relationship between market orientation and role ambiguity.

H<sub>4</sub>: Vertical exchange relationship moderates the relationship between market orientation and role conflict.

**Figure 1: Framework for the Study**



## EXPECTED CONTRIBUTIONS OF THE STUDY

The results of this study should increase knowledge in three streams of literature - market orientation, role variables, and vertical exchange relationship. This research would be among the first to consider vertical exchange relationship as a moderating variable and, more specifically, the first to consider it as a moderating variable in the relationships between marketing orientation and the role variables. The results should help both scholars and practitioners to better understand the process (vertical exchange relationship) of creating desired behaviors (market orientation) and the effect of this on their sales force (role variables). The results should help guide scholars in conducting further research involving these three streams of research. For practitioners, the results should have implications towards how they operate in vertical relationships and towards what kind of relationships are the most desirable in certain situations.

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# HOW GOOD IS ONLINE RESEARCH? A COMPARISON OF ALTERNATIVE COMMUNICATION BASED DATA COLLECTION METHODS

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## *ABSTRACT*

The purpose of this paper is to provide comprehensive information about relative merits of online research as a new way of collecting marketing research data from customers. All major communication based data collection methods (e.g. in-person, telephone, and mail) are compared against the online method of data collection. The research literature on this topic thus far remains quite fragmented and clearly points to a need to systematically develop the criteria for evaluation and then assess communication based approaches (online and traditional) across those criteria. An exhaustive set of criteria is developed for comparison.

These criteria include: research effectiveness (screening of respondents, respondent selection, reachability, geographic coverage, respondent identity for future reference, availability of sampling frame, flexibility in data collection, constraints on questionnaire design/complexity of questionnaire and instructions, interviewer assistance, item non-response, callbacks, assessing characteristics of refusers, assessing response rate, interference by others during data collection, appropriateness for obtaining sensitive/personal information, confidentiality of responses, anonymity of respondents, and quantity of information), economic efficiency, and time. It needs to be underscored that the criterion of research effectiveness is examined first followed by cost and time considerations. An analysis of online research versus traditional methods reveals that this new method has significant but not overwhelming advantages over conventional communication based data collection methods.

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# PREDICTION OF MONETARY DONATION: A PATH ANALYSIS

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## ABSTRACT

In the United States, nonprofit organizations provide many of the services needed for higher education, health care, visual and performing arts, and other community activities. In 1997, individual contributors accounted for more than 75 percent of the \$146.46 billion donated to nonprofit organizations (Reis 1998). These individual gifts total more than \$109 billion and are an important source of the funding charities rely on to carry out their missions and run their organizations. The challenge facing charitable organizations to attract and retain donors is increasing. As government support decreases, competition for individual contributions mounts (Bendapudi, Singh, and Bendapudi 1996), and reports of fund mismanagement undermine public trust (Epstein 1993).

In marketing, businesses have used segmentation to identify and target markets to enhance the impact of the marketing mix. Likewise, effective segmentation can enable nonprofit marketers to improve their marketing strategies in the areas of promotion, positioning, pricing, and distribution. Therefore, the objective of this study is to provide a model containing several predictors that purportedly influence monetary donation and to test the model with empirical data.

Several key predictors underlying the donation process have been identified – attitudes toward organizations (Bendapudi et al. 1996; Radley & Kennedy 1995; Webb et al. 2000), involvement and perceived severity mediated by importance of giving (Rosenblatt et al. 1986), and altruism (Piliavin & Charng 1990). In this study, two constructs – attitudes toward organizations and altruism are hypothesized to directly predict intention to donate. The other two constructs – involvement and perceived severity are hypothesized to indirectly predict intention to donate mediated by importance of giving.

Data were collected from a sample of 484 university alumni. Participants responded to a questionnaire containing attitudinal and behavioral measures toward the university, likelihood to make a donation, donation to other charity, and demographic variables. Initially, factor analysis was performed to determine the number of underlying constructs. Except for attitude, altruism, and intention to donate which use single measures, other constructs were analyzed by using composite scores.

Path analysis was performed with the EQS (Bentler 1989) to evaluate three alternative models and for each model to assess the relationships among attitude, involvement, perceived severity, altruism and intention to donate.

Of the three alternative models, the full model has the most support. Findings from this model suggest that people with stronger attitudes toward organizations and altruistic personality are likely to make monetary donation. Additionally, consistent with previous research, involvement and perceived severity are mediated by importance of giving which predicts intention to donate. However, there is a stronger direct relationship between involvement and intention to donate.

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# CHANGES IN ORGANIZATIONAL COMMITMENT FOR SALES FORCE NEWCOMERS: AN EXPLORATORY LOOK AT EARLY EMPLOYMENT INFLUENCES

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## ABSTRACT

*Change in organizational commitment is measured at two points in the early employment of new salespersons. Training satisfaction, perceived reward equity, and manager commitment all related negatively to change in organizational commitment during the first six months on the sales job. Managerial and research implications are given.*

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## INTRODUCTION

One of the most widely researched topics in psychology and management is the concept and role of organizational commitment (OC). This construct has been linked to important outcomes such as performance and turnover (Hom and Griffeth 1995). In fact, OC has received attention as an intermediate or mediating linkage between antecedent variables and these outcome variables (e.g., Johnston, Parasuraman, Futrell, and Black 1990; Sager and Johnston 1989). Therefore, organizations seek to measure accurately the commitment of their employees and find ways to increase the commitment of employees to the organization.

While the organizational commitment construct has received the most attention in the psychology and management literature, it is also important in marketing (i.e., salesperson commitment). This attention is primarily due to the importance of commitment in understanding the actions of sales employees and the relationships between employees and organizations. However, active research on OC continues because we still lack a thorough understanding of the conceptual definition and measurement of commitment.

The purpose of this paper is to assess the status of the organizational commitment construct and introduce a new way of looking at OC in early stages of employment. OC is measured at two points in time during the first six months of employment for new salespersons. This allows a measure of *change* in OC. Focus is on three early employment factors that could explain the change in OC: training satisfaction, perceived reward equity and manager commitment. These constructs have not received a great deal of attention in OC research, but typically play an important role in early socialization of salespersons (based on interviews with sales reps and managers). Given the new approach and limited research on the antecedents of interest, this is a largely exploratory study.

One limitation of most OC research is that it has measured commitment at a single point in time during employment. The dynamic nature of new employees being socialized into an organization requires more longitudinal study to capture the dynamics of OC over time. This is the best way to discover the true nature of the nomological net surrounding OC. New hires were chosen as a sales force population in order to facilitate control for experiential and other tenure variables on the relationships of interest and to focus on the crucial initial period of employment in an organization, which plays an important role in shaping employees' subsequent attitudes and behaviors (Allen and Meyer 1990; Dubinsky, Howell, Ingram, and Bellenger 1986; Wanous 1980; Youngblood, Mobley, and Meglino 1983).

## THEORETICAL BACKGROUND

Organizational commitment (OC), or the commitment of an employee to his or her employing organization, has received much attention in the literature (Hunt and Morgan 1994), but different definitions continue to be used. A history of selected OC studies and definitions is shown in Table 1. This group of authors and studies reveals the multi-disciplinary research and the differing streams of thought as to the nature of OC. Becker (1960) prompted an

increase in attention to commitment in organizations, but there was little development until Buchanan (1974) and Porter, Steers, Mowday, and Boulian (1974). The latter article presented the Organizational Commitment Questionnaire (OCQ), which has been the most widely used measure of OC (Mathieu and Zajac 1990).

The definitions of OC evolved when authors began to define OC in terms of its sub-components, as opposed to a single construct (Meyer and Allen 1984). The affective component is closely aligned with the Porter et al. (1974) OCQ scale (Randall, Fedor, and Longenecker 1990). The other two components proposed by Allen and Meyer (1990; Meyer and Allen 1984, 1991) are continuance commitment and normative commitment (called "moral" commitment by Jaros et al. 1993). Specific definitions of these components are located in Table 1. Most researchers define OC in a global sense, but the measurement tends to follow a component approach.

**Table 1: Selected Definitions of Organizational Commitment**

Author (Year)	Construct	Definition
Becker (1960)	Commitment	(1) prior actions of a person staking some originally extraneous interest (i.e., side bet) on his following a consistent line of activity; (2) a recognition of this side bet; and (3) the resulting consistent behavior
Steers (1977)	Organizational Commitment	The relative strength of an individual's identification with and involvement in a particular organization; (1) a strong belief in and acceptance of the organization's goals and values; (2) a willingness to exert considerable effort on behalf of the organization; and (3) a strong desire to maintain membership in the organization
Allen and Meyer (1990)	Organizational Commitment - affective - continuance - normative	<i>Affective</i> : employees' emotional attachment to, identification with, and involvement in, the organization <i>Continuance</i> : based on the costs that employees associate with leaving the organization <i>Normative</i> : employees' feelings of obligation to remain with the organization

### Nomological Net

The value of organizational commitment is enhanced when relationships with desired outcomes are identified and when antecedent variables can be identified. In this way, companies can target specific variables that lead to optimal commitment in a sales force setting. Once this commitment level is achieved, desired outcomes should result.

*Antecedents of Commitment.* Mathieu and Zajac's (1990) meta-analysis identified the following antecedents to organizational commitment: personal characteristics (i.e., age, tenure, sex, ability), role states (i.e., role ambiguity, role conflict, role overload), job characteristics (i.e., task autonomy, challenge, job scope), group-leader relations (i.e., group cohesiveness, leader initiating structure, participative leadership), and organizational characteristics (i.e., size, centralization). Other antecedents of organizational commitment could include internalization, identification, and compliance (Hunt and Morgan 1994).

Other authors have demarcated the antecedents of organizational commitment in terms of the different components of commitment. Dunham, Grube, and Castenada (1994) identified antecedents of affective commitment (e.g., task autonomy/identity, supervisory feedback, organizational dependability, perceived participatory management, age, tenure), antecedents of normative commitment (e.g., coworker commitment, organizational dependability, participatory management), and antecedents of continuance commitment (e.g., age, tenure, career satisfaction, intent to leave). Similarly, Whitener, and Walz (1993) indicated that attractiveness of alternatives and comparison with others' balance of rewards and costs are primary indicators of affective commitment.

*Outcomes of Commitment.* There is more agreement on the potential outcomes of OC. In general, commitment should lead to improved relationships and performance. Mathieu and Zajac (1990) identify job performance, perception of alternatives, intention to search or leave, and turnover as outcomes influenced by OC. Many OC studies focus on intent to leave and turnover as the primary outcomes (e.g., Whitener and Walz 1993; Jaros et al. 1993). All of these proposed outcomes are important to organizations.

## **Direction of the Study**

The present study was designed to provide an exploratory analysis of change in organizational commitment in the early stages of sales force employment. The focus on training satisfaction, perceived reward equity and manager commitment is also exploratory and based on factors deemed important in the sample company.

The goal of the study is to expand the traditional way of looking at organizational commitment and extend the nomological network involving OC. Rather than measure OC at one point in time – typically further into employment – this study incorporates a multi-point design in the earliest parts of employment. The proposed antecedent variables (i.e., training satisfaction, perceived reward equity and manager commitment) have received little attention in past research. Based on interviews with salespersons and sales managers in the target company, it is believed that these factors deserve closer attention. These variables are discussed further under “Operationalization of Constructs.”

## **METHODOLOGY**

### **Sample and Instruments**

The population of interest is sales force newcomers. The sample consists of all new sales recruits entering a single advertising product company within an 18-month time frame. All respondents were first surveyed at corporate headquarters on the first day of formal training. At the time of the second survey, respondents were across the country in different divisions of the company. There was some attrition of new salespeople before the time of the second survey.

The 18-month window produced a sample of 535 new sales trainees (99% response rate). Due to the high turnover rate through six months the second survey administered via mail did not reach as many subjects. Still, a 71% response rate of those still with the company produced 258 surveys, which were matched with time one surveys.

Two survey instruments were developed to collect data from respondents. Both surveys were comprised of Likert-type response formats. The content of the survey instruments was based on interviews with employees from the target company and a review of literature. Where possible, validated scales were used for construct measurement. Some adaptations were necessary due to survey instrument constraints and company requirements.

### **Operationalization of Constructs**

Since this study targets sales force newcomers, the affective commitment scale (Meyer and Allen 1991) was used. This component is commonly equated with “organizational commitment.” In fact, the OCQ has been found to converge with the affective component of the Meyer and Allen scale (Randall et al. 1990; Dunham et al. 1994). In early employment, there is little chance to develop meaningful continuance or normative commitment to the organization. Affective commitment at least measures initial impressions and attitudes toward the company. Scale items used in the study are shown in Table 2. The six-item version of the affective commitment scale used in current study has previously demonstrated an alpha reliability of .85 (Meyer, Allen, & Smith, 1993).

The antecedent variables used for this study are training satisfaction (TS), perceived reward equity (PRE) and manager commitment (MC). Training comprises an important part of the early period of employment, particularly in a sales force setting with a high degree of company-specific information and procedures to learn.

Salespersons' success is largely determined by the quality of training they receive. Therefore, satisfaction with training should play a role in a salesperson's commitment to the organization. This construct was measured with a five-item scale developed specifically for this study (see Table 2).

PRE is similar to the construct found to relate positively to affective commitment by Whitener and Walz (1993). PRE, defined as the extent to which salespersons perceive that their rewards are fair in relation to their effort and performance, was of particular interest in the sample company for this study. The reward system had some elements that made perceived fairness a problem. PRE was measured with a four-item scale developed for this study (see Table 2).

Similarly, manager commitment (i.e., salesperson's commitment to the sales manager) was selected based on the unique job of a salesperson in the sample company. Salespersons work under a sales manager, but do not have significant interaction with the "organization." Therefore, their feelings toward their sales manager are likely to influence their feelings toward the company. This construct indicates the commitment, or attachment, salespersons have toward their sales manager, and was measured with a five-item scale designed for this study (see Table 2).

**Table 2: Construct Scales**

Construct	Scale Items
Organizational Commitment <b>Alpha reliability =</b> <b>.79 (Time 1)</b> <b>.87 (Time 2)</b>	I do not feel a strong sense of belonging to (the company). (R) I do not feel emotionally attached to (the company). (R) (The Company) has a great deal of personal meaning for me.  I do not feel like part of the family at (the company). (R) I would be very happy to spend the rest of my career with (the company). I really feel as if any problems (the company) may have are my own.
Training Satisfaction <b>Alpha reliability = .71</b>	My sales training materials were not as extensive as I expected. (R) (The Company) provides enough initial sales training. The division provides enough continuing sales training. My sales training at (the company) allows me to be a better salesperson, no matter where I sell. I wish I could get additional training. (R)
Perceived Reward Equity <i>Alpha reliability = .91</i>	To what extent are you fairly rewarded considering the responsibilities you have? To what extent are you fairly rewarded for the amount of effort you put forth. To what extent are you fairly rewarded for the stresses and strains of your job? To what extent are you fairly rewarded for the work you have done well?
Manager Commitment <i>Alpha reliability = .88</i>	When someone praises my (manager), it feels like a personal insult to me. When I talk about my (manager), I usually say "we" rather than "they." My (manager's) successes are my successes. When someone praises my (manager), it feels like a personal compliment. I feel a sense of commitment to my (manager).

**(R) = Reverse coded item.**

## ANALYSIS OF RESULTS

The five construct measures exhibited acceptable reliability and validity. Exploratory and confirmatory factor analyses both revealed items loading correctly on the hypothesized constructs. All but a few items had factor loadings of .48 or higher, and no items cross-loaded significantly on other dimensions. The lowest alpha reliability was .71 for training satisfaction. This is partly to be expected since the scale items measure different aspects of training (e.g., corporate training vs. divisional on-the-job training). It stands to reason that salespersons might have different experiences in the alternate training settings.

After analysis of factor validity, scale reliability and inter-item correlations, it was decided to keep all scale items and use summated scales to represent the constructs (i.e., training satisfaction, perceived reward equity, manager commitment, and organizational commitment).

The focus of testing was on how early sales force variables influence changes in OC. Three independent variables were selected based on interviews with salespersons and sales managers in the company and discussions with senior management: training satisfaction, perceived reward equity, and manager commitment. The dependent variable was change in organizational commitment, as measured by OC at time two (after six months on the job) minus OC at time one (on the initial day of corporate training). Initial review of correlations revealed significant correlations (at .05 level) between each pair of constructs, with the exceptions of organizational commitment at time one with training satisfaction and manager commitment.

Hierarchical regression was used to further assess the relative influence of the independent variables. The equation  $R^2$  of .306 was significant at the .01 level. In addition, all three independent variables produced a significant change in  $R^2$  at the .05 level. Standardized beta coefficients revealed relative weights of .326 for training satisfaction, .233 for perceived reward equity, and .147 for manager commitment.

## DISCUSSION

### Implications

From a research perspective, this study points to the need to examine organizational commitment in different ways. Rather than always measuring OC as a static construct, looking at change in OC over time might invite new insights. In addition, changes in OC may be more unique to different sales organizations. In this case, three variables were identified to have an influence in early changes in OC. Additional research is needed to determine whether these variables have similar influence in other organizations or whether other antecedent variables can be identified.

From a managerial perspective, more attention is needed on early employment experiences. New salespersons need the training to feel competent and able to meet objectives. Results indicate that dissatisfaction with training may contribute a great deal to declines in commitment to the organization, often leading to other negative outcomes. In addition, salespeople need to feel like they are fairly rewarded for their efforts. This may be a particularly serious issue at the target company, due to a high commission component and some pay reducing factors that are not controllable by the sales reps. Finally, salespeople have primary contact to the organization via their immediate sales manager. Decreased commitment to the organization appears to be partly due to a lack of commitment to the sales manager. Therefore, it is important to build strong relations at the sales manager level.

### Limitations and Future Research Directions

One limitation is the sample time frame that, although an advantage over cross-sectional studies, is still limited to two data points. Also, since panels of new salespeople covered an 18-month period, changes in extraneous variables could interfere with results. Comparisons of salespeople from different time periods revealed no differences in pre-entry variables.



The size and type of sample present additional limitations. The single company sales force sample provides a strong test of theory, but this limits generalizability. Replication with other sales forces and other types of employees will be helpful. The response rates were high, but there still are possible limitations due to attrition and nonresponse bias. The company's high turnover rate in the first six months resulted in 156 early leavers, predominantly low performers, who were not available for the Phase 2 survey.

Other limitations include common method variance and newly developed antecedent variable scales. Finally, the measurement of change in organizational commitment is highly correlated with its component parts (OC1 and OC2). Change in OC has not yet been established as a distinctive construct worthy of separate examination.

Future research is needed to further examine the dynamics of changing organizational commitment in early sales force employment. Extensions could include additional independent variables and possible outcomes of change in organizational commitment. More rigorous testing can then incorporate structural equation modeling or response surface methodology (Edwards 1994) to better isolate the role of change in organizational commitment.

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# ASYMMETRY OF COMMITMENT AND THE SUCKER EFFECT: SALESPERSON ETHICS IN COMMON AGENCY

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## ABSTRACT

*Ethical dilemmas are inherent in agency theory. We propose that salespeople with multiple principals (common agency) evaluate ethical dilemmas in terms of the level of commitment the agent perceives the principal has to the relationship. Asymmetry of commitment is incorporated into the General Theory of Marketing Ethics (Hunt and Vitell 1986).*

## INTRODUCTION

Many products and services are marketed through agency relationships (Bergen, Dutta and Walker 1992). An agency relationship is established when one party (the principal) depends on another party (the agent) to undertake action on the principal's behalf. In marketing, these relationships are responsible for the distribution of goods and services through retailers, wholesalers, and other sales organizations independent of the manufacturer or originator of a service. Examples include independent food brokers, consumer goods intermediaries, and independent insurance agents.

Channel decisions are often time consuming and complicated to implement. Contracts and limitations of the firm's resources make changes in the distribution system difficult if not impossible in the short-term. Thus, the ethics of salespeople employed by outside channels are of paramount importance to the firm.

We propose that salespeople with multiple principals use perceived asymmetry of commitment in the evaluation of ethical dilemmas involving these principals. To this end, asymmetry of commitment is incorporated into the General Theory of Marketing Ethics proposed by Hunt and Vitell (1986).

## AGENCY THEORY

According to Eisenhardt (1989) the agency problem can be explained with two concepts – *moral hazard* and *adverse selection*. Moral hazard results when the agent decides to trade some of his or her profit for leisure. Once this decision is made, the agent fails to put forth the effort necessary to maximize the principal's profits.

Adverse selection refers to the difficulty the principal has in monitoring the agent's behavior. In particular, the principal often finds it difficult to evaluate the cost of evaluating the agent's behavior vis-à-vis the agent's outcomes. This difficulty of measuring agent behavior allows the agent, should he or she so desire, to act opportunistically at the principal's expense.

Principals attempt to solve the agency problem through the terms of the principal-agent contract (Eisenhardt 1989). The objective of the principal is to design a contract that aligns the goals of the agent and the principal. For example, a contract that compensates the agent on a straight commission basis aligns the goals of profit maximization and gives the principal an effective method of evaluating agent effort (Bergen, Dutta, and Walker 1992; Sharma 1997).

The agency problem is particularly acute in the case of *common agency* where several firms employ one agent as a sales channel (Berheim and Whinston 1986). In addition to the competing interest of agent and principal,

the agent is faced with the competing interests among various principals. Having more than one principal increases the agent's opportunity for retaliation and each principal's risk of moral hazard and adverse selection.

As the principal and agent negotiate the terms of a contract, one's expectation of the unethical behavior of the other will cause defensive action. That is, one or both parties to the contract will withhold information or engage in other unethical behavior to protect one's position. This is known as the "sucker effect." People do not want to be perceived as suckers. To that end they reduce their own efforts in expectation of the reduced efforts of others. The sucker effect leads to rationalization of unethical behavior by each of the parties to the contract. Each party misrepresents information to the other because they believe they are receiving false information

One possible antecedent to the sucker effect is asymmetry of commitment. That is, one party believes it is more committed to the relationship than the other party. Perceived asymmetry of commitment causes the satisfaction with the relationship to decrease (Gaski 1984). Parties who feel they are more committed than their partners believe they have become "suckers." Retaliation, including unethical behavior, can then be justified as a defensive move (Tenbrunsel 1998).

### **Effect of Asymmetry of Commitment on Ethical Decision Making**

We propose that in the case of salespeople who experience common agency, asymmetry of commitment directly affects behavioral intentions in the Hunt and Vitell (1986) model. Specifically, when common agency is present, salespeople will consider asymmetry of commitment when evaluating their relationship with their principals. Salespeople who determine that the principal is less committed to the relationship will intentionally withhold information from the principal and commit other acts that are not in the principal's best interest in order to avoid the sucker effect.

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## A FINAL LOOK AT THE SALES/CUSTOMER ORIENTATION OF STUDENTS IN A SMALL PERSONAL SELLING CLASS

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### ABSTRACT

*The SOCO Scale was used in a Personal Selling class in a follow-up pretest-posttest design study. The Wilcoxon Signed Ranks Test was used to analyze the 19 paired scores. Students learned the importance of focusing on customer needs as well as engaging in interaction that would enhance customer satisfaction.*

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### INTRODUCTION

Given today's business focus on strategic supply partners, enterprise resource planning, and customer relationship management, it is important for undergraduate students to understand the importance of building long-term relationships with all members of the supply chain, including customers. Long-term relationships involve mutual trust, honesty, open communications, common goals, and ethical behavior on the part of all parties in the relationships, similar to the key components in building and maintaining successful marriages (see, for example, Weitz, Castleberry and Tanner 2001, pp. 39 and 57). According to Bruce Nussbaum, there's a need for change in American corporations to address the problems with corporate corruption and public trust and ethics. "Corporate America is also undergoing major changes that will require new ideas to ensure success" (Nussbaum 2002, p. 66).

Salespeople's behaviors and tactics have been linked to the establishment of long-term, satisfying relationships. Salespeople who use a customer-oriented approach tailor sales strategies to help customers make purchase decisions that will meet their needs. They engage in behaviors aimed at increasing long-term customer satisfaction and avoid behaviors that might result in customer dissatisfaction (Saxe and Weitz 1982). "A high customer orientation is reflective of a heightened concern for the customer" (Clopton, Stoddard and Clay 2001, p. 4) coupled with a problem-solving approach. Research has demonstrated that a customer orientation not only influences the degree of customer satisfaction but also the quality and duration of relationships (e.g., Kelley and Hoffman 1997; Parsons 2002).

Further, salespeople's behaviors directly influence the level of sales success. Three researchers found that, overall, top-performing salespeople used a more personal, customer-oriented focus in meeting customers' needs, whereas, poor-performing salespeople used a more impersonal, sales-oriented approach that did not allow them to meet the unique needs of their customers (Dwyer, Hill and Martin 2000). Salespeople who use a sales-oriented approach tend to focus more on the product and its benefits rather than each customer's individual needs.

The purpose of this study was to assess the orientation of students enrolled in a Personal Selling course. Specifically, the objective was to measure students' orientations toward personal selling at the beginning of the semester and then measure their orientations again, at the end of the semester, to determine if they had become more customer-oriented. The null hypothesis was: No increase in customer orientation over the length of the course. The alternative hypothesis was: Customer orientation improved over the length of the course (posttest scores > pretest scores). The study was conducted over a series of fall semesters (1999, 2000, and 2001). Since findings from the two earlier studies have previously been published (Totten 2001; Totten 2002a; Totten 2002b), the present paper focuses on the study conducted in fall 2001.

## METHODOLOGY

### Subjects

Subjects were 20 students enrolled in a Personal Selling course at Bemidji State University in northern Minnesota. The 20 students consisted of thirteen men and seven women, most of whom were seniors. Several of the students had sales experience in their work histories.

### Measures

The Sales Orientation/Customer Orientation (SOCO) Scale, developed by Saxe and Weitz in 1982, was used to measure students' orientations. The SOCO scale was designed to measure the degree to which a salesperson uses "sales-oriented" selling behavior or "customer-oriented" selling behavior. The 24 items on the scale consist of twelve positive statements and twelve negative statements. The scale has been shown to be internally consistent and reliable, and demonstrated convergent, predictive and discriminate validity. The SOCO scale has been used in a number of studies of professional salespeople in a variety of settings. For example, it has been used in three studies, either in whole or in modified form, of service delivery quality (Kelley and Hoffman 1997); in salesperson-client communications in the pharmaceutical industry (Gillis et al., 1998); in the evaluation of salespeople by organizational buyers (Williams and Attaway 1996; Williams 1998); in the ethical selling behavior of insurance agents (Howe, Hoffman and Hardigree 1994); in retail salespeople in Romania (Chelariu, Brashear and Boles 1998); in the selling behavior of Indian pharmaceutical salespeople (Chakrabarty, Brown and Widing 1998); in the assessment of the effects of organizational control mechanisms (Joshi and Randall 2001); and in the effects of Hong Kong insurance salespersons' actions on customer satisfaction and trust (Tam and Wong 2001).

Martin, Kimball and Bush modified the instructions for the scale to include the phrase, "or, if you have no sales experience, the proportion of customers with whom you believe it would be appropriate to act" (Martin, Kimball and Bush, 1998, p. 11). The change was done to adapt the scale for use in an academic setting, taking into account that some students might not have had any sales experience. The modified instructions were used in the present study. A score closer to "9" indicates that the item is "True for ALL of your customers—ALWAYS," which is desirable for the twelve customer-oriented statements. The twelve sales-oriented statements were reversed scored, so that a low score of "1" ("True for NONE of your customers—NEVER") was converted to a high score of "9" to reflect a customer-oriented answer.

### Procedure

Students completed the survey the first day of class in September 2001. Students were told that the survey was designed to measure attitudes toward selling. Implementing a suggestion by Martin, Kimball and Bush to match pre- and post-measures with individual students through the use of a random identification method (1998, p. 12), students drew slips of paper on which the letters A through T had been written. One student was asked to list each student's name by the letter each had selected. The list was placed into an envelope, sealed by the student, to be opened after the post-test. The post-course administration of the survey took place on the last day (in December) after all course work had been completed. Students were told that the survey was the same as the one they had completed back in September. At this time, the gender of each student was indicated on the posttest survey.

## RESULTS

Twenty students took the pre-course survey while 19 took the post-course survey. One male student dropped the class a few weeks into the semester. Following the lead of Martin, Kimball and Bush, the reliability of the SOCO instrument was assessed for both administrations by examining the internal consistency of scale items (1998, p. 12). Pre-course and post-course coefficient alphas of .8350 (n=20) and .8713 (n=19), respectively, indicate an acceptable degree of internal consistency, based on Nunnally (1978).

Total scores on the twenty-four items for the pre-course ranged from 131 to 196 (out of a maximum high score of 216). The mean score was 166.35, with a standard deviation of 17.57. Total scores for the post-course survey ranged from 142 to 208, with a mean equal to 180.8421 and a standard deviation of 17.06. There was a significant difference ( $p = .0064$ , one-tailed test) between the two total mean scores. Students' average total score improved at the end of the course versus at the beginning.

Independent t-tests were conducted on total mean scores by gender. Neither the pretest total mean score nor the posttest total mean score was significantly different by gender. Though not statistically significant as a two-tailed hypothesis test, women students did have higher pretest and posttest total mean scores than did men students. It was interesting to note that the total mean score for women students increased from 174.143 (19.744 standard deviation,  $n = 7$ ) to 187.571 (12.095 standard deviation,  $n = 7$ ). Unlike what happened in the 2000 class, the total mean score for men students increased this time, from 162.154 (15.47 standard deviation,  $n = 13$ ) to 176.92 (18.725 standard deviation,  $n = 12$ ).

Means were calculated for the pre-course and post-course surveys, and are shown in Table 1. Customer orientation improved by the end of the course for fourteen items, with eleven items being significantly different at  $p < .05$ . Independent t-tests were conducted on the 24 means from the pretest and the posttest surveys by gender. Three significant differences were found on the pretest. Female students were more customer-oriented with respect to these items: "I try to sell as much as I can, rather than to satisfy a customer" (reverse-scored; mean score of 7.286 versus 5.769 for men;  $n = 7$  and  $n = 13$ , respectively;  $p = .043$  (two-tailed)); "I paint too rosy a picture of my products, to make them sound as good as possible" (reversed-scored; 7.286 versus 4.692 for men;  $n = 7$  and  $n = 13$ , respectively;  $p = .0028$  (two-tailed)); and "I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run" (reverse-scored; 7.857 versus 5.615 for men;  $n = 7$  and  $n = 13$ , respectively;  $p = .019$  (two-tailed)).

**Table 1**  
**Pre and Post Mean Scores on the SOCO Scale Items**

	Pre	Post
1. I try to give customers an accurate expectation of what the product will do for them.	7.95	8.21
2. I try to get customers to discuss their needs with me.	7.30	8.26+
3. If I am not sure a product is right for a customer, I will still apply pressure to get him to buy.*	5.85	6.63^
4. I imply to a customer that something is beyond my control when it is not.*	6.80	6.68
5. I try to influence a customer by information rather than by pressure.	8.05	8.26
6. I try to sell as much as I can, rather than to satisfy a customer.*	6.30	7.05^
7. I spend more time trying to persuade a customer to buy than I do trying to discover his needs.*	6.90	7.74+
8. I try to help customers achieve their goals.	7.60	8.16+
9. I answer a customer's questions about products as correctly as I can.	8.30	8.53
10. I pretend to agree with customers to please them.*	4.25	5.37+
11. I treat a customer as a rival.*	7.50	7.74
12. I try to figure out what a customer's needs are.	7.75	8.33+
13. A good salesperson has to have the customer's best interest in mind.	7.50	8.26+
14. I try to bring a customer with a problem together with a product that helps him solve that problem.	7.90	8.00
15. I am willing to disagree with a customer in order to help him make a better decision.	6.80	6.84
16. I offer the product of mine that is best suited to the customer's problem.	7.70	8.11





customer to buy than I do trying to discover his needs.*	2	10	07	19	11.0	067.0	-2.231	.0130
8. I try to help customers achieve their goals.	2	12	05	19	13.0	092.0	-2.676	.0035
10. I pretend to agree with customers to please them.*	4	12	03	19	30.0	106.0	-1.982	.0240
12. I try to figure out what a customer's needs are.	2	09	07	18	11.5	054.5	-1.951	.0255
13. A good salesperson has to have the customer's best interest in mind.	0	10	09	19	00.0	055.0	-2.911	.0020
16. I offer the product of mine that is best suited to the customer's problem.	2	08	09	19	09.0	046.0	-1.998	.0230
19. I try to sell a customer all I can convince him to buy, even if I think it is more than a wise customer would buy.*	2	13	04	19	04.0	116.0	-3.211	.0005
20. I paint too rosy a picture of my products, to make them sound as good as possible.*5	09	05	19	30.5	074.5	-1.424	.0770	
21. I try to achieve my goals by satisfying customers.	2	11	06	19	14.5	076.5	-2.228	.0130
22. I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run.*	2	10	07	19	07.0	071.0	-2.547	.0055
23. I try to find out what kind of product would be most helpful to a customer.2	10	07	19	13.5	064.5	-2.053	.020	
24. I keep alert for weaknesses in a customer's personality so I can use them to put pressure on him to buy.*	4	09	06	19	18.0	073.0	-1.974	.0240

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**\*Reverse scored.**

### LIMITATIONS & FURTHER STUDY

One limitation of the study is the use of the SOCO Scale in marketing education. The scale was developed for use with professional sales forces. The scale has been “borrowed” and modified for use in marketing education. As documented by Engelland, et al. (2001), researchers should be careful when borrowing scales and applying them to different settings than those the scales were developed for. Although content validity through coefficient alpha was checked in this study, other procedures as recommended by Engelland, et al. (2001) would be beneficial to apply to the use of the SOCO scale in a different setting, i.e., academic institutions of higher education.

A further limitation is the absence of controls for other potential explanatory factors, such as the impact of outside speakers and the extent of work experience the students have prior to taking the class. Other factors that probably should have been measured include types of sales experience (retail versus industrial), impact of textbook and other course materials, ethnicity (e.g., international versus American students), and consistency of focus on customer orientation throughout the course by the professor. As one reviewer noted, the grading process should also have been assessed for its impact, if any, on the findings.

Finally, the data was collected from only one class with a small number of students enrolled. The students might have answered how they thought the professor wanted them to answer, instead of answering truthfully. Additional bias may have been introduced by students in the present course having heard about the survey from students in previous courses.

For further study, it might be worthwhile to administer the survey midway through the semester, as well as at the end of the course. The downside is that students might become bored with the instrument, introducing bias.

Perhaps the competitiveness of students should also be assessed. Are they motivated by a “sell as much as possible” attitude? It might also be useful to use the scale in similar courses at different universities, e.g., Marketing Principles, and factor in additional variables besides gender.

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# INTEGRATING ACCOUNTING INTO THE MBA CORE MARKETING COURSE: THE MARKETING IMPLICATIONS OF ACTIVITY-BASED COSTING

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## ABSTRACT

*The integration of other disciplines into the core marketing MBA course gives students a better understanding of the holistic nature of the firm. We outline the integration of activity-based costing (ABC) into relevant portions of the MBA marketing course. ABC offers students a sophisticated tool to analyze various marketing functions.*

## INTRODUCTION

The importance of cross-disciplinary instruction in the MBA curriculum is illustrated by the concurrent reduction of departmental boundaries that is taking place in many companies along with the stress, often ad hoc, placed on cross functional teams to guide projects through the firm (Darian and Coppersmith 2001). Specifically, we propose that the concept of activity-based costing (ABC) be integrated into the MBA level marketing administration core course. Many of the uses of ABC involve traditional marketing functions. Firms as diverse as manufacturing, insurance, financial services, social service organizations, and institutions of higher learning use activity-based costing as a tool to determine pricing (Bamber and Hughes 2001), customer lifetime value (CLV) (e.g., Ness, Schroeck, Letendre and Douglas 2001), the level of unused capacity (Cooper and Kaplan 1992), and the effectiveness of different retail locations, channels, and salespeople (Kantor and Maital 1999; Naughton-Travers 2001; Richardson 2000).

## LIMITATIONS OF TRADITIONAL COST ACCOUNTING AS A TOOL FOR MARKETING MANAGERS

The conventional approach for determining costs is inadequate for pricing strategy in at least two areas--aggregating costs (Naughton-Travers 2001) and determining the cost of the firm's unused capacity (Cooper and Kaplan 1992).

First, we will address the problem of aggregating costs. Conventional methods of teaching price in a marketing administration course directs students to calculate the total cost of a unit of product by adding the variable and fixed costs. Fixed costs per unit are determined by dividing the number of units produced into total fixed costs. This method allows the marketer to benchmark the firm's price with competitors but is not necessarily an accurate measure of the true cost to the firm of producing the product. The assumption of this approach is that costs vary only with volume.

In contrast, ABC recognizes that costs vary with *activities*. When analyzed from this perspective, it is possible to see that variance in volume does not always result in a consistent variance in unit cost. For example, when companies produce a diverse product line, use of a traditional, volume-based costing system can easily lead to product cost distortions. This occurs when different products consume different amounts of activities (Hilton, 1999, 169). A common outcome is over-costing of low complexity products and under-costing of high complexity products. In contrast, ABC allows marketing managers to ascribe a more accurate cost to diverse products resulting in a simpler and more realistic pricing process (Lere 2000). Because managers no longer guess about the

apportionment of fixed costs, ABC is particularly effective for firms that produce a variety of products or services (Naughton-Travers 2001). Further, from a marketing management perspective, managers can determine if a product is over/under-priced, add/eliminate profitable/unprofitable products, and increase long-term ROI.

Second, unused capacity is a cost to the firm. It needs to be accurately reflected in the total cost of the firm's products or services. Marketing managers may, for example, be concerned about the level of unused capacity in customer service centers. In order to measure this excess capacity, the firm measures not only the cost of activities used, but also the cost of activities *supplied* or *available*. With ABC, the level of activity is quantifiably matched to the level of demand for that activity.

### **IMPLEMENTATION OF ABC INTO THE MARKETING ADMINISTRATION COURSE**

The first, and obvious step, in the implementation process is that marketing faculty must become familiar with the fundamentals of activity-based costing. Most marketers will not find an extensive study of accounting inviting. Knowledge of the essentials of ABC is all that is required, however. Accounting faculty can point the marketer to texts and articles that will provide this information and can also serve as a resource for any questions marketing faculty may have. Many of the accounting articles cited in this paper contain marketing examples.

Second, marketing and accounting faculty can work together to write examples or complete cases that illustrate application of ABC to marketing situations. Shortened cases can also be used in student assessment.

Finally, marketing faculty should carefully plan the implementation of ABC into the curriculum. As noted above, there are several areas of marketing (pricing, logistics, customer service, etc.) that can be addressed with ABC analysis. Planning concerns include understanding that the purpose is not to teach accounting in the marketing class but to make students aware of the tools available to them that will make them more effective in their jobs. Additionally, properly presented, the inclusion of ABC will lead to increased appreciation for the cross-functional relationship between marketing and accounting.

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# THE DESIGN AND DELIVERY OF EFFECTIVE WEB-BASED INSTRUCTION: AN ANALYSIS OF FACULTY CONCERNS

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## ABSTRACT

*This paper examines how online teaching and learning affects how faculty in higher education teach, and the way students learn. The paper contains findings from an online survey of faculty at a regional university. The responses presented from the study highlight concerns about online teaching expressed by the faculty.*

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## INTRODUCTION

A new approach to higher education is sweeping across the nation. Faculty and students are embracing online learning in large and rapidly increasing numbers. Online learning is a computer mediated approach to teaching and learning. It can involve text placed in a Web site, email, chat rooms, bulletin boards, streaming video, etc. Some of these aspects are asynchronous while others (e.g., chat rooms) are synchronous. A faculty member and student who have access to a computer, with a modem and a connection to the Internet, have the basic technology needed to interact in this relatively new educational environment.

Online learning is capable of creating an interactive environment where the teacher and student may never have face to face contact. In fact they may be in different states or even different countries. In an asynchronous environment, students can choose what time of day or which days they choose to access their class Web site and post material or respond to bulletin board discussions.

## PURPOSE OF THE STUDY

The purpose of this study is to consider how online teaching and learning is affecting how faculty in higher education, particularly in the areas of management and marketing, teach and the way students learn.

The study presents findings from an online survey of faculty at West Texas A&M University (WTAMU). The faculty responses included in this paper represent 110 completed questionnaires. The responding faculty provided responses to fourteen agree/disagree statements.

## WEST TEXAS A&M UNIVERSITY AND WT ONLINE

West Texas A&M University is a regional university located in the Texas Panhandle. Because of the low population density of the Texas Panhandle region, WTAMU has become a pioneer school in Internet instruction for the Texas A&M System. (Terry, Owens, and Macy, 2001)

WTOonline's development is strongly supported by courses delivered in the Pickens College of Business. WTOonline, the university's Internet-based course curriculum, started in the summer of 1997 with an enrollment of

24 students in one graduate level marketing course. This graduate level course in marketing initiated the College of Business's Internet-based option in the MBA program." (Terry, Owens, and Macy, 2001)

The rapid growth in online course delivery, and the leadership role of the Pickens College of Business, is reflected in comments made recently by Flavius Killebrew, Provost and Vice President for academic affairs. Killebrew reported that, "Fall 2002 enrollment in WOnline totals 4,056. This represents 2,531 actual students taking online classes. The students are taking a total of 10,897 online credit hours this semester." (Werpney, 2002).

WTAMU has labeled their WOnline courses as being equivalent of those taught in a traditional classroom. The literature and experience of these authors reflects that reputation of a program and institution is a real concern of prospective distance learning students. When a traditional regional university elects to add online courses to their inventory of educational options for students, that university is offering educational options backed by regional accreditation and professional accreditation.

Students are being attracted to online courses in increasingly larger numbers (Boehle, Dobbs, and Stamps, 2000; Christensen, Anakwe, and Kessler, 2001). WTAMU is one example of a university committed to meeting this growing demand by students. A review of literature related to distance learning indicates that in addition to academic area expertise, faculty who teach online courses will need support from the university in a variety of areas, including but not limited to, additional technology skills and technical support. Findings from a review of distance learning-related literature reflect that there are a variety of issues facing faculty who are working with online teaching. These issues have a direct impact on the faculty member's ability to be effective in designing and delivering Web-based instruction. These issues are highlighted in the following section of this paper.

### **IMPACT OF ONLINE INSTRUCTION ON TEACHING AND LEARNING**

This new format for teaching and learning is having a strong impact on the way faculty teach and the way students learn. As indicated earlier, students are showing a strong preference for access to online courses. Meeting the preference of students to take courses taught in an online environment requires faculty to adopt roles and techniques different from those used by a faculty member delivering a traditional lecture in a face to face classroom (Bothun, 1998).

Teaching in the online environment is also requiring faculty to have certain basic technical skills and a technical support infrastructure that may not be as critical in a traditional classroom. In the traditional classroom, if the Web site is down, there is still the possibility of face to face interaction and even substitute technology such as showing PowerPoint™ slides through a data projector or using transparencies with an overhead projector. In an online environment, if access to the Internet and or email is not available, interaction with the class Web site, the faculty member, or other students ceases.

Faculty who make a commitment to teach courses offered online are obviously making a commitment to learn and use effectively the technology needed to design and deliver courses in the online environment. WTAMU, along with universities across the nation, has created a center to provide faculty with support in learning to use instructional technology and to develop Web-based courses using this new technology. The growing importance of information technology in our work lives has been emphasized for several years (Kacmar, Wright and McMahan, 1997). The rapid growth of online course delivery makes the continuous development of Web technology skills a necessity for today's faculty.

Along with the need for current Web technology skills, faculty need the ability to design and deliver their course on the Web in an interactive format. There is a difference between teaching using the Web as a tool for delivering interactive education and simply providing Web-assisted courses. The importance of this issue has been stressed repeatedly in the literature (Christensen, Anakwe, and Kessler, 2001; Ferguson and Wijekumar, 2000; Deming, 2000; Peek, 2000; and Blotzer, 2000).

Another issue facing faculty today is the need to have familiarity with the location of current Web-based information and to use the rich resources in the form of supplementary materials currently available online. Faculty

have a unique opportunity to link students directly to numerous and relevant supplementary sources available on the Web.

Continuous improvement, a concept linked to Total Quality Management programs used in much of industry, is critical in online courses. Information placed on the Web cannot be out of date and still be considered relevant by today's students. Something placed in a Web-based six months ago may look out of date to a student taking that same course today.

Teaching in the online environment also requires faculty to have training in how to design and deliver interactive instruction using this new format. The faculty member is still the academic expert but now is also expected to develop teaching skills specifically for the online format as well as developing skills in designing and delivering effective instructional content using computer technology (O'Malley and McCraw, 1999; Blotzer, 2000; Deming, 2000; Christensen, Anakwe, and Kessler, 2001).

Learning online may well require different approaches to evaluation. Using traditional multiple choice/true-false exams may not be the best way to evaluate learning in an online class. At least one study has shown that using a number of short cases and a high level of interaction was a more valid way of evaluating online student learning (Ferguson and Wijekumar, 2000).

Teaching online demands a significant investment of time on the part of the faculty. Teaching online requires that material be posted to a Web site in a particular format in advance of the time students will access the material. There can be no more "winging it" where a faculty member walks into a classroom and "just talks" for an hour or so. Good instructional design in an online course, like good instructional design in a traditional course, requires intentional fit of material to specific objectives.

Faculty who are designing and delivering online courses also need knowledge of the student market (Ferguson and Wijekumar, 2000). Both nontraditional and traditional age students are expressing a strong preference for online classes. Both can learn effectively in the online environment but the same course design and delivery work may not work as well for each group. It has been commonly accepted that the design and delivery of graduate courses would be different from that of undergraduate courses. As faculty gain more experience with the delivery of online courses, it may well be that different groups require different types of support and interaction.

A study conducted at WTAMU provides insight into some of the faculty views regarding teaching and learning online. Approximately 50-percent of the 200 faculty contacted replied. Open-ended questions to which faculty responded included:

- What do you believe are the WOnline teaching program's principal strengths?
- What do you believe are the WOnline teaching program's principal weaknesses?
- What are your specific suggestions for improving the WOnline program?
- Are there specific courses or degree programs that you believe should be added to the WOnline program?

The concerns identified by faculty through this survey tended to focus on the following issues:

- Training/Updates to training
- Support
- Class Size
- Legitimacy of Online Learning
- Applicability of Course to Web Format

These faculty concerns are discussed in the following section of this paper.



## FACULTY CONCERNS

Information provided in distance learning-related literature has addressed faculty needs in order to provide quality teaching and learning experiences in an online format. The information provided in the WTAMU survey regarding faculty concerns has been reviewed and evaluated. Based on these findings, conclusions and recommendations have been drawn. These are discussed in the following section of this paper.

Although the scope of this study was university-wide, its findings are relevant for business, and specifically marketing, programs. We were not able to conclude from this study if faculty from other disciplines differ from those in the business school.

For an online program to succeed, the faculty must be both competent and confident in the technologies used. This begins with the university being committed to training the faculty in the minimum amount of computer skills necessary for authoring and designing an online course, as well as providing more advanced training as the professor develops his skills. The faculty interviewed in this study often expressed concerns about not knowing where to begin or how to convert their brick-and-mortar courses to a two-dimensional web format. Computer skills varied considerably among respondents, and to expect them to become proficient web programmers would be an unreasonable demand. Thus, the university must develop training programs that will arm faculty with only the basics, leaving advanced programming matters to IT staff.

Faculty comments included:

*Amount of time required to prepare the course. The time spent by instructor with technical details.*

*Training was too brief. Quality of courses seems to vary widely.*

*I have not yet taught an online course, but it would seem some of the technical assistance is not forthcoming in a timely fashion...*

*Not enough training time. It is time-consuming (initially).*

Ongoing support is another issue that recurred. This includes having full-time staff who can answer questions, assist in course development problems, and perform the necessary programming for online exams, audio/video streaming, and other course enhancements. For faculty who are not well versed in web programming techniques, having staff support demonstrates university commitment to the online program, and reduces the need for faculty to become programmers.

Comments included:

*The computers provided to the faculty, in general, are extremely outdated.*

*Slow bandwidth, poor computer support services.*

*Unexpected technological problems.*

A third issue that warrants attention is online class size. While the temptation may be great to allow course enrollments to swell (since there are no physical limitations such as classrooms), faculty who have taught online insisted on keeping class sizes low, preferably not more than 30 or 40 (and less for graduate courses). Faculty felt that they would have to compromise quality in order to keep up with large numbers of students; daily email activity is difficult to attend to when enrollments increase, and any regular semblance of faculty/student contact is likely to be minimal.

Faculty comments in this area were common and to the point:

*The unlimited enrollment. Instruction will naturally be watered down in order to teach larger sized courses.*

*Too many students are allowed to enroll in one course.*

*Inability to cap enrollment.*

A fourth concern centered on the legitimacy of online learning in general. This concern tended to come from those with low computer skills, as well as those reaching their retirement years. In addition, several faculty

expressed a lack of faith in anything related to computers, and therefore had major doubts that any learning could occur outside the traditional classroom.

Faculty remarks included:

*It conveys information; I am not sure it has all that much to do with education.*

*'Discussions' are inadequate. The chat rooms are OK but they do not come close to the richness possible in a face-to-face class discussion.*

*Limits interpersonal communication with students.*

Other concerns came from those who teach courses that may not lend themselves well to a web format, such as lab-based courses, the performing arts, and courses with a major quantitative component. While some courses may truly be difficult, if not impossible, to teach online, some of this reluctance may signify an inability to envision how a course could be adapted to the online format.

Comments included:

***How can SES101 (a physical education course) be taught online? Aren't there some physical aspects of this course?***

*How does a student do chemistry 101 labs online? Do a dry lab? If so, this lab experience is NOT good enough.*

### CONCLUSIONS AND RECOMMENDATIONS

In general, faculty comments were more negative than positive about online learning. Those faculty with online experience were quite satisfied with the format, but were still concerned about ongoing training and class size. Those with little or no online experience, though, were the most vocal in criticizing the method.

In order for an online program to be successful, the faculty must be convinced first of the validity of the platform, and then assured that they will not be left to fend for themselves along the way. An online program needs a major commitment from the university, in terms of staff, computer resources, training, and a willingness to add more course sections as enrollments increase.

Specifically for business and marketing courses, training and support are needed to ensure that the quantitative courses are converted smoothly to the online format. In some cases, a high degree of interactivity is needed for courses (like statistics, market research, and accounting) so that students may engage in numerical exercises and sensitivity analyses. In qualitative courses, like much of the marketing curriculum, a wide range of both educational and entertaining materials are needed in order to exploit the capabilities of the web, as well as bring the subject to life.

Perhaps the greatest implication is that the university must assist some faculty who cannot envision how their course can be delivered via a computer. This is a frequent hurdle for faculty joining the online movement, and a common complaint from those who feel like they are being coerced into learning a new way to deliver old material.

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## COMPETITIVE LEARNING: BEYOND PROJECT-BASED CLASSES

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### ABSTRACT

The method of “learning by doing,” popularly known as experiential education, has been gaining support on college campuses for a number of years. The causes of this movement come from many disparate groups, both on and off campus. For example, students complain that straight lecture classes are boring and static. Professors claim students are inattentive, rude, and not producing quality work. Corporate recruiters and executives complain that students are not prepared for the “real world” because they lack good written and oral communication skills. Business school graduates need both theoretical training and practical skills development to become market-ready professionals (Byrne 1993; Floyd and Gordon 1998; Schibrowsky, Peltier, and Boyt 2002; Ruyter and Crask 1994; Sterngold and Hurlbert 1998; Walle 1991).

Scott and Frontczak (1996) note that in a competitive job market industry executives are very choosy about whom they hire. The authors recommend that students be given the opportunity to apply classroom theories in an experiential learning setting. Envick (1999) discusses 18 skills and attributes, including written and oral communication and creativity in problem solving as critical skills for today’s employees. Higher education can impart these skills to students in several ways, ranging from traditional classroom lectures and tests to experiential learning where a student learns by doing. Experiential education has historically centered on internships and cooperative education programs that supplement the traditional classroom experience. The student learns by working for a company, generally for course credit. This style of experiential learning typically involves individual assignments and does not focus on teamwork required in the successful completion of a project(s). There are, however, many project-based classroom experiences available in today’s academic environment, some of which are real-world, and performed by teams of students. The typical project-based class involves teamwork that is graded by the professor and, in rare cases, a client may offer input to the professor.

A logical extension of a project-based class is a “competition-based” class. The class is project-based, but the outcomes (meaning written and oral communication skills) are judged primarily by industry professionals and there are winners and losers with prizes (e.g. money and/or plaques). More importantly, teams of students compete against teams at other universities. The purpose of this study is to assess the perceptions of students who participated in a program entitled the Program Alliance for Communication and Entrepreneurship (PACE), which offers competition-based experiential learning in the form of two nationally recognized student competitions: SIFE (Students in Free Enterprise) and AAF/NSAC (American Advertising Federation National Student Advertising Competition). The primary hypothesis is that competitive learning in the SIFE or AAF class provides students with stronger job-related skills than the typical project-based class, resulting in better interview skills and increased job opportunities.

A questionnaire was mailed to 300 graduates who participated in either SIFE or AAF competitions at a large university in the southwest United States from fall 1996 through spring 2002. The questionnaire contained a mixture of yes-no, five-point Likert scales, listing, open-ended, and demographic questions. The questions were intended to explore: the competitive nature of students who participated in SIFE or AAF competitions; subjects’ perceptions of skills developed in the SIFE and AAF competition-based classes, compared to those developed in a typical project-based class; the impact of SIFE or AAF on obtaining their first job after graduation; and any lasting affiliation with the university as a result of participating in SIFE or AAF. A total of 61 questionnaires were returned, resulting in a 20 percent response rate. The data were analyzed using percentages and two-tailed T-tests.

Overall, 98 percent of the respondents considered their experience in the SIFE or AAF competition to be positive or very positive and 80 percent felt that their experience in SIFE or AAF made them feel more emotionally

connected to the university. Eighty-five percent of respondents considered themselves to be competitive or very competitive and males perceived themselves to be significantly more competitive (.03 level) than did females. Sixty-five percent of respondents felt that the competitive nature of SIFE or AAF was important or very important to their decision to participate. There was a significant difference between SIFE and AAF students (.04 level) when asked how important the competitive nature of the course was to their decision to participate, with AAF students feeling it was more important. Ninety-two percent of respondents felt that the advisor's reputation was important or very important in their decision to take the class.

When asked how SIFE or AAF compared to other project-based classes, respondents felt that they "learned much more" relative to oral communication skills (80%), presentation skills (82%), group dynamics (90%), leadership skills (82%), and specific knowledge in their field (70%). T-tests revealed a significant difference at the .001 level between SIFE and AAF students relative to specific knowledge in the field, with AAF students feeling they learned much more specific knowledge compared to other project-based classes. While still positive, respondents expressed slightly more diverse opinions when asked how helpful their participation in SIFE and AAF was in setting them apart in the job interviews (42% very helpful) and in securing their first job (39% very helpful). This may be due to students' inability to discern a direct link between SIFE and AAF and success in their job interviews and/or their first job.

Ninety-seven percent of those responding are gainfully employed in marketing or advertising related jobs. When asked how their participation in SIFE or AAF helped with their job interviews, the top three answers were experience, specific skills, and involvement (meaning being involved in the competition). The top three job-related skills that students felt they learned from their experience in SIFE or AAF were (1) teamwork, (2) presentation skills, and (3) leaderships skills, all skills that are highly desired by potential employees. Interestingly, females were more apt to list presentation skills first and males were more apt to list teamwork first.

In summary, this study was directed only at SIFE and AAF students from the last 5 years to determine their perceptions of participation in a competition-based class, how experiences in this class compare to other project-based classes, and how those experiences impacted their job search. It is clear that students who participated in these two competitions have very positive opinions about the competitions and the effects of SIFE and AAF on the development of job-related skills. However, a broader study that compares SIFE and AAF students to business students who do not participate in these competitions is needed in order to generalize to other populations.

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# PRICING STRATEGIES OVER ALTERNATIVE DISTRIBUTION CHANNELS: A SPREADSHEET STUDENT ASSIGNMENT AND CLASSROOM EXERCISE

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## ABSTRACT

*Pricing issues can be confusing to marketing students when considered for multi-channel and multi-tier systems in the context of marketing and financial goals, channel discounts, and push and pull promotions. This paper introduces a "what-if" spread sheet approach to teaching pricing decisions in "real world" situations.*

## Introduction

Pricing is strategic tool that greatly affects marketing programs. Students must develop skill with key concepts such as variable costs, mark-up on costs, mark-up on selling price, end user list pricing, trade discounts, promotional discounts, stocking fees, and push promotional fees, and so forth (Maxwell 1998; Dolan 1997; Schibrowsky 1995; Lincoln and McCain 1985). Courses often include introductions with definitions and examples, but to achieve the higher cognitive taxonomy of learning objectives of analysis, synthesis and evaluation (Clabaugh, Forbes and Clabaugh 1995) students need to experiment with simple pricing models that illustrate core concepts. An effective understanding of pricing should include an understanding of the interplay of pricing components with sales potential, achievement of financial goals, the development of promotion programs, and distribution channel margins and allowances and other forms of channel support (Stern and Sargent 1974). This paper offers an eclectic, flexible "what-if" spreadsheet approach to teaching pricing. The model gives students experience with pricing decisions in a context that demonstrates consequences throughout the distribution channel. The model is applicable to many courses and requires limited preparatory and classroom time. The pedagogical objectives are 1) to develop a stronger ability among students to perform "dollar and cents" analysis of marketing problems, 2) to promote student use of computers to solve marketing problems, and 3) to promote more active, experiential learning.

### Background of Development of the Spreadsheet Exercise

The model evolved through several classroom attempts to use spreadsheets for pricing assignments. The first was a simple assignment that introduced marketing students to creating a basic spreadsheet, and computing break-even points and distribution channel pricing. While this exercise worked well in teaching students to use spreadsheet technology and to do markup and break-even calculations, it did little to bring pricing strategy and the complexities of pricing with multiple distribution channels into discussion. A second exercise was developed for a music merchandising class. Because many of the music business students lacked the computer and accounting backgrounds of business students, this exercise was developed without computer backing. The objectives of this exercise were to appeal to the most basic students so as to not lose the students without accounting backgrounds, to use an example with relevance to the music students (a rock band), and to expose the students to the dollar and cents reality of alternative channels of distribution in the music industry. The example of the rock band proved to be very popular with the students and generated much class discussion regarding channels. Because of these two factors, the authors brought the music merchandising exercise into the basic marketing classroom as an experiment and found that it worked as well with business students. The third model presented here combines these two approaches, and extends the model to incorporate a variety of variable and fixed costs and constraint estimates of total market demand and firm sales potential. This model is now being used in both undergraduate and MBA classes.

## The New Model: Pricing Decisions over Alternative Distribution Channels

This model is designed to be simple, tactical, strategic and adaptive. Simple in that it starts with basics and builds complexity step-by-step. Tactical in that it requires students to perform "real world" tasks of calculating markups and break-even points, and to estimate fixed and variable costs, market demand and sales potentials. Strategic in that it involves students in discussions and "what if" experiments on alternative distribution channel and pricing strategies based upon the costs and margins entered into and calculated by the model. Adaptive in that it allows the topic (i.e. music or manufacturing) and complexity of the exercise to be changed to fit students' substantive interests and skills. The current model is available from the authors.

### A Pedagogical Stepwise Approach

The model is organized around the above cost considerations and four potential sales channels. Students have the option of specifying fixed and variable costs for all potential channels. Part of the learning experience is to note that elements of these cost categories vary by type of channel. Similarly, total market demand, sales potentials, and sales goals will vary by type of channel. As presented in class, the most basic and simple channel, direct sales to the ultimate consumer, is presented first. In this channel most of the concerns are in the manufacturing of the product, desired mark-up on variable costs, market and sales potentials, and sales goals for breakeven and to achieve financial goals. The music band CD worked well in this introductory scenario as the costs are quite basic.

The second channel presented is selling through a retailer to the consumer. Here also the music CD stimulated interest in students. This channel leads the presentation into new territories of channel mark-ups on sales variable and fixed cost issues associated with push and pull promotions. Students see that the added costs of selling through large retailers can lead to higher profits, despite lower unit margins, due to higher sales potentials.

The third channel presented involves sales to wholesalers who then supply retailers. Students can understand the leveraging benefits of a few wholesalers contacting many smaller retailers. This scenario opens the door to discussion of how to allocate margins across several tiers (i.e. to wholesalers and to retailers), and is a good place to discuss how prices to wholesalers and retailers can be a strategic tool to encourage channels to push a product. This also presents the opportunity to revisit retailer point of sales (POS) promotion opportunities as a cost and to discuss what types of marketing costs are variable relative to units sold and which should be treated as fixed. With three channels introduced, discussion can also be directed to how fixed costs not attributed to a specific channel should be allocated to each channel and what costs should not be allocated to channels. For more advanced students this can open the door to discussion of the benefits of activity based costing.

The last channel presented returns the class to a potentially simple scenario, direct sales to the consumer via the Internet. Students see that this type of channel can be especially appropriate for a music band that is selling their own products and it opens the door to discussions of benefits of e-commerce, web site design, and how traditional channels may complement or be made obsolete by technology's impact on marketing distribution systems.

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# DEVELOPMENT OF TRANSPORTATION AND FREIGHT FORWARDING SERVICES MARKET IN UKRAINE IN TRANSITIONAL PERIOD

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## ABSTRACT

The market of transportation and freight forwarding in the Ukraine has its characteristics similar to any country in a transitional economy. At the same time it has some unique qualities, which give Ukraine a great potential for its integration into the European and world markets.

The current development of the Ukraine is directed at the broadening of international activities and increasing foreign economic relations, which results in a great broadening of trade with other countries. This leads to the increase of import, export and transit cargo transportation.

The Ukraine's main exports are: metallurgy, chemical, forestry, machinery construction and fuel and energy industry products. The geographical location and political situation of Ukraine in Europe, in regards to its industrial and agricultural potential for development of national economy, provide the favorable conditions for the further development of foreign economic relations with countries over the world. Presently Ukrainian international goods turnover has a great potential for increase. Therefore it is becoming necessary to have the ability of quick, safe, and quality transportation.

Presently the market of freight forwarding in the Ukraine is actively developing. There are professional companies which have their own network of agencies in foreign countries. These companies ensure international goods transportation in accordance with the wishes of their customers all over the world. An example of a successful project by "Logistrans Co.", Kiev is the Sea-Rail-Express container shipping line between C.I.S. countries and Turkey, which has been functioning for the last 4 years. That shipping line uses the containers produced by Ukrainian "Ukrzaliznytsa". That project is beneficial for Ukraine in two parts: it provides the transportation of goods on an important route, and it uses the equipment of a national Ukrainian producer.

Association of International Freight Forwarders of Ukraine (AIFFU) - a professional voluntary non-profit organisation in Ukraine is in charge of co-ordinating the work of the freight forwarding companies in Ukraine, and resolving the issues of their professional activities.

Transportation and freight forwarding industry is an integral part of the Ukrainian economy. Current economic reforms frame the new economic relations and international cooperation opportunities. The whole economic system faces cardinal changes, including the forming of new market economy, privatization issues, tariffs liberalization, licensing and certification, which are considerably related to the transportation system and its work in general.

While researching the market of transportation and freight forwarding services, it is reasonable to consider not simply the system of transportation, but the whole system of goods distribution where transportation is only one of the elements in the process (2). Such distribution process includes all elements in the product development and delivery, except production and consuming, and the transportation itself takes only about 50% of all expenses.

*The transition into a free market economy in the former Soviet Union caused the creation of the new monopolies in the transportation area in place of the old ones (for example, such as Black Sea Shipping Company). Among the new monopolies are transportation and freight forwarding companies, private ship-owners, as well as freight, surveying, crewing, broker, and insurance companies.*

Besides, the transportation companies' strategies towards the reaching of short-term goals negatively influence the market (3). Such short-term vision holds back the introduction of the advanced transportation technologies (for example, the development in Ukraine of the new inter-modal transportation infrastructure). One of

the problems in this situation is that transport companies' sole objective is their personal interest, and they neglect the interests of the industry and the community.

The independence of the Ukraine brought changes in the nature of its transportation connections - primarily the transportation changed from national to international. Export, import, and transit volumes have increased. 86% of the air transportation, 40% of railway connection, and practically all sea and inland water transportation in Ukraine is international (1). Firstly, this stimulates the necessity for the Ukraine's harmonization and unification of their legislation with the legislations of neighboring countries, such as regulating the crossing of border points by vehicles. Secondly, the introduction of the standard documents, customs procedures, relevant technologies, what will lead to a common direction of the development of national transportation and freight forwarding industry.

Today the situation in the national transportation and freight forwarding market is as follows:

- Only a limited number of transportation and freight forwarding companies are able to render the whole set of services on the delivery of goods. Generally the companies only render one or two services.
- The education level of specialists in transportation and freight forwarding do not fully correspond to the international norms, standards and requirements of a free market. The existence in the market of non-professional specialists shakes international partners' faith in the Ukrainian market.
- Legislation in transportation and freight forwarding industry does not always coincide with the economic idea of the new market policy.
- Conditions for the crossing of border points by transport vehicles are extremely unsatisfactory.
- The defence of the Ukrainian carriers and freight forwarders from dishonest national and international consignors, competitors, and criminals are ineffective.
- There are non-favorable conditions in the investment process. Centralized national capital investments are limited due to the deficit of the state budget. Companies self-financing is difficult due to the current economic situation, and inflation. Foreign capital investment is difficult due to the absence of guaranties for foreign investors.
- There is no single juridical basis for relations between renderers of transportation and freight forwarding services, and their clients, as well as relations inside the transportation infrastructure itself.
- There is an absence of the proper insurance systems for the transportation of goods and liability of carriers and freight forwarders, as well as the absence of the necessary control for the whole process of goods transportation.

As a result of these changes there is an increasing demand on transportation services and additional transport volumes. In regards to the current stage of development, the mentioned changes will lead to:

- Increasing effectiveness of the transportation due to optimal administration, new technologies usage, and information processing.
- Strengthened competitiveness of national transportation and freight forwarding companies.
- Eliminating of punitive sanctions by international partners and countries for failing to follow the international standard documentation keeping.
- More effective use of Ukrainian transit capabilities, including the development of multi-modal transportation, and international transportation corridors.

Further development of Ukrainian transportation and freight forwarding industry will attract more foreign investors who help Ukraine in stabilizing its economy and becoming a worthy partner in international economic relations.

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# ENROLLING MINORITIES IN CLINICAL TRIALS: CHALLENGES AND STRATEGIES

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## ABSTRACT

*Clinical trials are a major aspect of any drug approval process in the United States. For clinical trials to be most effective, it is imperative that participants from all appropriate subpopulations be included. Unfortunately, enrolling minorities in these trials has been a constant challenge for clinical trial researchers. This paper describes some of the challenges and strategies of recruiting minorities into clinical trials.*

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## INTRODUCTION

One of the most important regulatory organizations in the United States is the Food and Drug Administration (FDA). The primary function of the FDA is to protect the American consumer from untested and harmful “drug” products. The Center for Drug Evaluation and Research (CDER) is a department of the FDA and the key regulatory function of this department is to approve those drugs for marketing that are effective for their labeled indications, provide greater benefits than risks, and possess labeling which is complete and easily understood (1). Prior to being marketed to the general public in the United States, all prescription drugs must go through various stages of testing, known as “clinical trials.” These trials are designed to assess the safety and effectiveness of new drug products, as well as try to identify the products’ various sides effects. The FDA reviews the detailed results from the various phases of the clinical trial. The product manufacturer has to conduct three phases of clinical trials before the products are given approval for mass marketing. Although each clinical trial is somewhat different, in Phase I there are between 20-80 participants; in Phase II between 100-300 participants; and in Phase III between 1,000-3,000 participants. A final phase, Phase IV, is characterized as post-approval studies and they usually continue as long as the product is in the market. Each successive phase is dependent upon successful accomplishments of the previous phase.

Different medications are understood to have varying effects on different consumers. These affects may be dependent, at least in part, upon the individual’s age, gender, and ethnicity. For example, African Americans have been found to respond poorly to several classes of anti-hypertensives (2). Unfortunately, clinical trials have historically been conducted on middle-aged Caucasian males and the results have been used to generalize treatment regimens of all groups of people (3). Logically and morally, participants in clinical trials must be protected from being exploited by researchers. However, in the past, minorities were exploited and abused in several clinical trials and this has created a great deal of resentment and suspicion of researchers by these individuals, which in turn results in fewer minorities volunteering for clinical trials. Obtaining the trust of minorities, and even women, so as to have them participate in clinical trials, is a task many investigators are finding challenging and problematic (4). Even though it is a major challenge to include these subgroups of the population in clinical trials, many sponsors of clinical trials have realized the value of their inclusion. More specifically, the National Institutes of Health (NIH) policy states that, “women and members of minority groups and their subpopulations must be included in all NIH-supported biomedical and behavioral research projects involving human subjects, unless a clear and compelling rationale and justification establishes to the satisfaction of the relevant Institute/Center Director that inclusion is inappropriate with respect to the health of the subjects or the purpose of the research” (5).

## CHALLENGES

Although increasing the representation of minorities in clinical trail is a laudable endeavor, several issues must be considered. One of the ethical considerations is informed consent. This is particular important is recruiting

minority populations which may not be native speakers. A necessary but not sufficient condition to adequately addressing the ethics of inclusion of minorities into clinical trials is to ensure that proper language translation occurs. However, language itself is not the only issue. There are numerous other cultural barriers which may be present. For example, minorities may not understand the role of clinical trials in modern medicine. They may perceive the trial as definitive treatment and/or not understand the benefits and risks involved.

*Financial gains for participants:*

Minorities with low incomes may feel that the income gained from the trials outweighs any possible harm. In an attempt to address this issue, researchers have developed ethical guidelines that limit the monetary gain for participants from clinical trials. However, If the financial gain is substantial or the potential participants are financially needy, it is possible that some participants may falsify their information.

*Financial gains for recruiters:*

At times, in an attempt to increase the number of minority participants in a clinical trial, participant recruiters may themselves be offered financial rewards. This may cloud the judgment of some recruiters and in order to gain financially they may recruit minority participants who do not meet the requirements to be a part of the study.

## STRATEGIES

The researchers must select the marketing techniques necessary to successfully enroll an adequate number of minorities. By utilizing marketing research, health care firms can increase minority representation in an ethical and cost effective manner. A few strategies to increase minority population participation in clinical trials are provided below.

- Techniques such as “friend-get-a-friend” can be used to educate and increase awareness in minority communities.
- The promotion of clinical trails to the members of minority organization can also be effective.
- Establish health education programs, with particular emphasis on value of clinical trials in the drug approval process, in local community establishments such as churches and schools that have high proportion of minority population.
- Targeting the message to the minority community and explaining how clinical trials benefit the minority group may increase the commitment to participate.
- A selected message must be tailored for each market segment.

The increased participation of minorities is essential in order to demonstrate that the data is valid for as many segments of the general population as possible. The effective use of marketing techniques can help achieve this goal.

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## AUTHOR INDEX

Abeson, Felix: 123	Marshall, Kimball (Paper #2): 166
Amponsah, David: 98	McKay, Sandra: 149
Anwar, Syed: 115	Mesak, Hani: 130
Brown, Gene: 134	Mills, La Velle: 158
Brown, Ulysses: 89	Mosley, Gordon: 98
Bush, Michele: 75	Nixon, Robert: 50
Chandra, Ashish (Paper #1): 65	Oumlil, A. Ben: 49
Chandra, Ashish (Paper #2): 75	Pearson, Michael: 166
Cheung, Yu Ha: 27	Rylander, David: 140
Chiang, Kuan-Pin: 138	Segal, Madhav: 137
Choi, Young-Tae: 22	Shaffer, Teri: 59
Emmett, Dennis: 65	Sharland, Alex: 14
Fountain, Patrick: 134	Shelley, Kyna: 59
Frank, Zachary: 75	Silver, Lawrence (Paper #1): 147
Gerlich, R. Nicholas: 158	Silver, Lawrence (Paper #2): 156
Grant, Terry: 156	Simpson, Linda: 38
Hayes, Bryan: 147	Song, Ji Hee: 106
Herndon, Neil: 27	Spivakovskyy, Sergiy: 169
Hsu, Maxwell: 130	Stutts, Mary Ann: 164
Huang, Tseng-long: 48	Taku, Michael: 123
Jaramillio, Fernando: 50	Tanner, John: 134
Jones, Mike: 149	Tapp, Shelly: 25
Kemmerer, Barbara: 38	Totten, Jeff: 149
Keng, Ching-Jui: 48	Wayland, Jane: 38
Kilbourne, William: 92	Weininger, Michael: 5
Leigh, James: 22	West, Vicki: 164
Lennon, Ron: 14	Zheng, Li-Jie: 48
Li, Chin-Feng: 116	Zinkhan, George: 106
Lipscomb, Thomas: 59	Chandra, Ashish (Paper #3): 172
Marshall, Kimball (Paper #1): 89	Paul, David: 172
	Stroube, William: 172